Health Care Chief Executive

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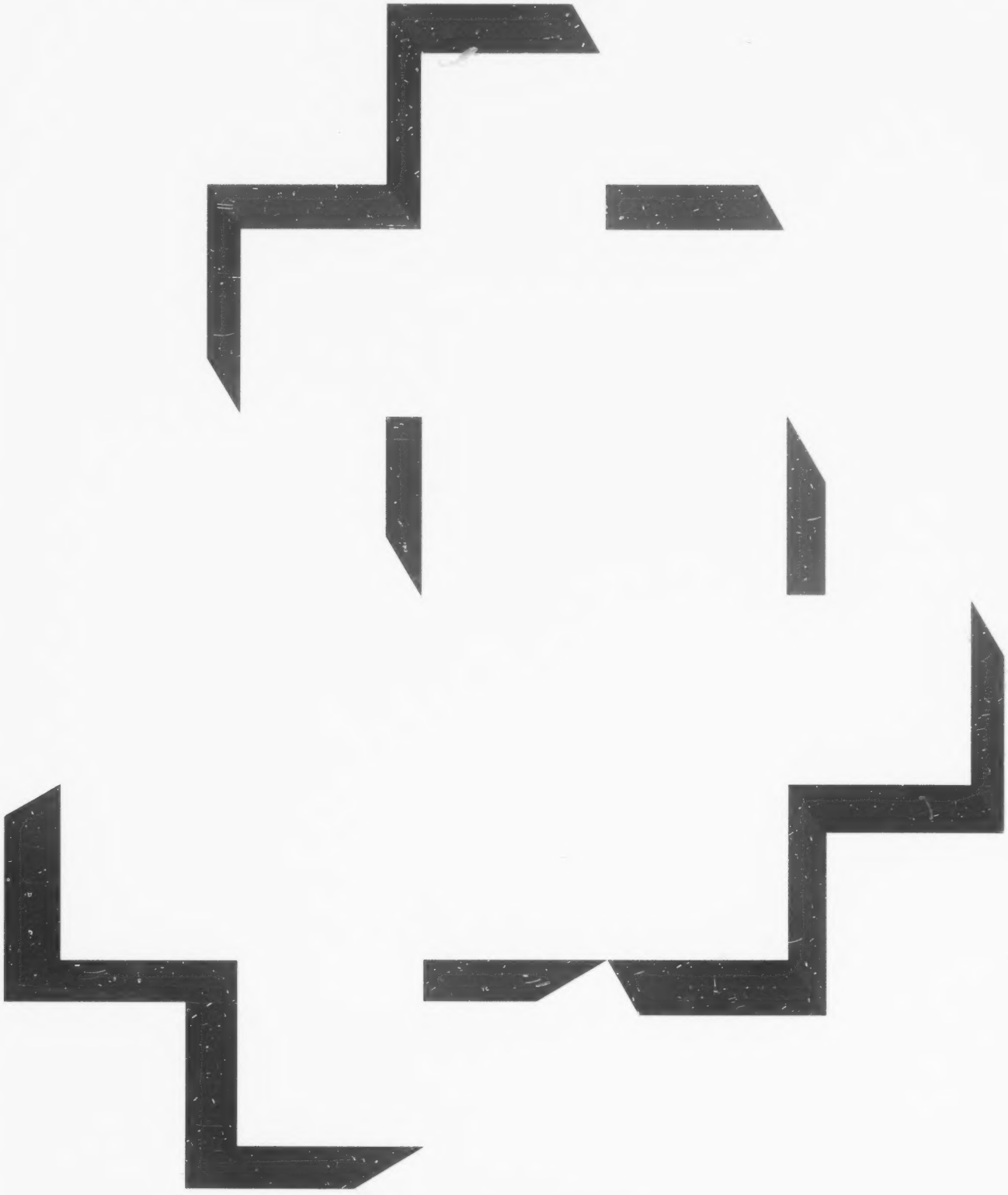
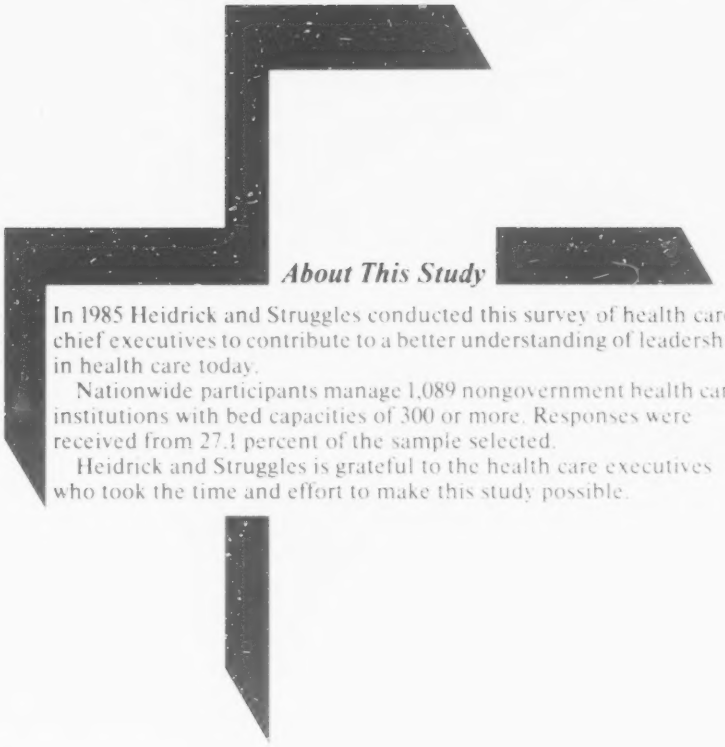


Heidrick and Struggles

Consultants in Executive Search



About This Study

In 1985 Heidrick and Struggles conducted this survey of health care chief executives to contribute to a better understanding of leadership in health care today.

Nationwide participants manage 1,089 nongovernment health care institutions with bed capacities of 300 or more. Responses were received from 27.1 percent of the sample selected.

Heidrick and Struggles is grateful to the health care executives who took the time and effort to make this study possible.

Findings of a study of health care chief executives of 1,089 of America's largest nongovernment health care institutions.

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Introduction

More than any other sector of our economy, the health care industry has come to epitomize change—in government regulation, in technology, in services, and in competition. As a result, the role and importance of health care chief executives are undergoing rapid transition to keep pace with the evolving nature of this industry.

Expectations of executive performance are escalating with current and projected circumstances and challenges. Gone are the days when being a good general administrator suffices.

Beyond these rising expectations, evolutions in the health care industry find chief executives responsible for an increasing number of diverse and specialized functional areas. Today's health care executive must master the management of new and/or more sophisticated disciplines in marketing, data systems, and strategic planning. These skills are essential to obtaining maximum results in difficult and changing environments.

Producing maximum results requires not only a broader diversity of skills, but the time to handle the multiple demands that are placed on the health care chief executive. Our respondents report they work at least 60 hours each week and spend 40 percent or more of their time on external affairs. Juggling such a heavy schedule is difficult at best. Internally, chief executives must establish sound working relationships within all areas of health care—from boards to physicians to administrative staff.

That many chief executives have already been successful in establishing these relationships is indicated by the high percentage of corporate reorganizations. More than half of the respondents lead institutions that have been corporately restructured. Such transformations could only have occurred in organizations led by chief executives who inspire confidence and trust and have the strengths and drive necessary to build and motivate a strong management team.

Equally critical are external relationships. Chief executives must allow ample time to treat representatives of numerous outside groups affected by their institutions with dignity, respect and good judgment.

Health care chief executives leading their institutions through the highly competitive marketplace both now and in the immediate future will forever erase the image of the "caretaker" executive. These top managers are truly CEOs—in stature, in compensation, and in their ability to maximize the potential of their institutions. Faced with unprecedented challenge and opportunities, no wonder almost 70 percent of our respondents express "very high" satisfaction with their career progress.

Michael D. Caver, Co-Manager
Health Care Practice
Heidrick and Struggles

Jessica Exceingham, Co-Manager
Health Care Practice
Heidrick and Struggles

Highlights

The typical health care chief executive in our study:

- Is a 48-year-old white Protestant male, married to his first spouse
- Holds one or more advanced degrees
- Earns annual cash compensation of $137,800
- Has worked for three or more employers
- Devotes more than 60 hours a week to his work and spends at least 40 percent of his time on external affairs
- Practices a *consulting* or *delegating* leadership style
- Holds the view that multi-institutional system management requires skills substantially different from those required of single-institution CEOs
- Expects to see an increasing percentage of institutions retain CEOs whose careers have developed in nontraditional, alternative delivery systems
- Thinks that the current and probable evolution of prospective payment will not be a long-term solution to medical care for the aged and indigent
- Believes that as consumers become more educated about health care, the quality and efficiency of health care will improve

Personal

Like their counterparts in the *Fortune* 1,000 organizations, the typical health care chief executive is white, male, Protestant, and married to his first spouse. However, he is 7.8 years younger than the average age of chief executives of America's leading business organizations, 48.8 years old, compared with 56.6.

Differences between the *Fortune* chief executive officers and the health care respondents are most pronounced in gender. Females account for 9.2 percent of the health care executives, while only one *Fortune* 1,000 organization is headed by a woman.

Age

		*Number of Beds**			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
Under 40	13.1%	17.9	4.8	17.4	6.7
40–44	22.5	17.9	27.4	21.7	26.7
45–49	20.2	19.3	17.8	20.7	23.3
50–54	16.5	14.1	24.2	13.0	13.3
55–59	15.0	17.9	12.9	15.2	13.3
60–64	10.5	7.7	9.7	12.0	16.7
Over 64	2.2	5.2	3.2	0.0	0.0
	100.0%	100.0	100.0	100.0	100.0
Mean Age	48.77	48.55	49.45	48.26	49.47

*Throughout, respondents were asked to combine all licensed beds in their institutions to establish the total number under their supervision. Therefore, the larger the number of beds reported in this and the following tables, the more likely that more than one institution may be represented.

			By Age			
		Total	*Under 40*	*40–49*	*50–59*	*60+*
Sex	Male	90.8%	97.1	97.3	88.1	82.4
	Female	9.2	2.9	2.7	11.9	17.6
		100.0%	100.0	100.0	100.0	100.0
Religion	Protestant	59.2%	50.0	60.0	62.7	65.5
	Roman Catholic	30.7	40.6	29.5	25.3	20.7
	Jewish	7.5	9.4	7.6	9.3	6.9
	Other	2.6	0.0	2.9	2.7	6.9
		100.0%	100.0	100.0	100.0	100.0
Race	White	99.2%	100.0	100.0	97.4	100.0
	Black	0.4	0.0	0.0	1.3	0.0
	Asian	0.4	0.0	0.0	1.3	0.0
		100.0%	100.0	100.0	100.0	100.0
Marital Status	Single, never married	9.6%	2.9	5.3	11.9	15.6
	Married to first spouse	72.3	82.8	78.1	71.4	56.3
	Separated and divorced, not remarried	3.8	8.6	1.7	2.4	3.1
	Divorced, remarried	13.3	5.7	14.9	11.9	21.9
	Widowed, remarried	1.0	0.0	0.0	2.4	3.1
		100.0%	100.0	100.0	100.0	100.0

Highest Educational Attainment

Health care chief executives of all ages indicate as their most popular graduate degrees the M.H.A. (47.4 percent) and the M.B.A. (22.7 percent). Among those younger than 50, three-quarters of the respondents hold an M.H.A. or an M.B.A. Choice of graduate degrees may reflect an increasing preference for specific health administration and business skills.

		By Age			
	Total	*Under 40*	*40–49*	*50–59*	*60+*
No college degree	0.7%	0.0	0.0	1.2	2.9
Bachelor's degree only	8.8	0.0	3.5	10.7	29.4
M.H.A.	47.4	54.3	55.3	36.9	41.3
M.B.A.	22.7	20.0	29.0	21.4	8.8
M.P.H.	5.0	8.6	3.5	8.3	0.0
M.D.	5.0	0.0	2.6	10.7	5.9
M.A.	2.4	5.7	0.0	2.4	5.9
Ph.D.	2.0	5.7	2.6	1.2	0.0
M.S.	2.0	5.7	0.0	2.4	2.9
J.D./LL.B.	0.3	0.0	0.0	0.0	0.0
Other degree	3.7	0.0	3.5	4.8	2.9
	100.0%	100.0	100.0	100.0	100.0

Cash Compensation

As would be expected, compensation correlates with number of beds, ranging from an annual average of $105,800 in organizations of 300–399 beds to $210,600 for 1,000-or-more bed institutions.

Additionally, 48 percent of the responding executives receive no bonus. For the 52 percent who do, bonuses also vary with institutional size. Those executives heading institutions of 1,000 or more beds are awarded an average of $21,700, while those in organizations with 300–399 beds receive an average annual bonus of $5,400.

Total Cash Compensation (base and bonus)

	Total	Number of Beds 300–399	400–499	500–999	1000+
Less than $70,000	1.3%	0.0	0.0	4.1	0.0
$70,000–89,999	12.8	30.4	13.5	2.0	0.0
$90,000–119,999	28.2	45.7	32.4	22.5	0.0
$120,000–159,999	31.4	17.4	40.6	38.8	26.1
$160,000–199,999	16.7	6.5	8.1	26.5	30.5
$200,000–229,999	3.9	0.0	2.7	4.1	13.0
$230,000–249,999	1.9	0.0	2.7	0.0	8.7
$250,000–299,999	1.9	0.0	0.0	2.0	8.7
More than $299,999	1.9	0.0	0.0	0.0	13.0
	100.0%	100.0%	100.0%	100.0%	100.0%
Mean (in thousands)	$137.8	$105.8	$125.2	$143.4	$210.6

Percentage Receiving Cash Bonus

$0	47.8%	53.2%	56.8%	40.8%	34.8%
$1–4,999	3.8	8.5	2.7	2.0	0.0
$5,000–9,999	12.1	17.0	16.2	10.2	0.0
$10,000–14,999	10.8	6.4	10.8	14.3	13.0
$15,000–19,999	7.0	6.4	5.4	6.2	13.0
$20,000–49,999	14.7	8.5	5.4	24.5	21.8
$50,000–74,999	3.2	0.0	2.7	2.0	13.0
$75,000–99,999	0.0	0.0	0.0	0.0	0.0
$100,000–119,999	0.6	0.0	0.0	0.0	4.4
	100.0%	100.0%	100.0%	100.0%	100.0%
Mean (in thousands)	$9.6	$5.4	$5.7	$11.2	$21.7

Perquisites

The majority of health care executives receive automobiles, extra life insurance, club memberships, spouse travel, and tax-sheltered annuities equal to an average of 11.4 percent of their salary base. In the larger institutions, 5.9 percent receive stock options, reflecting their for-profit status.

		Number of Beds			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
Automobile	**84.9%**	82.8%	82.4%	89.0%	82.4%
Extra life insurance	**68.5**	65.5	69.1	69.0	70.6
Club membership(s)	**67.5**	57.5	73.5	68.0	82.4
Spouse travel	**51.7**	40.2	50.0	57.0	67.6
Tax-sheltered annuity	**50.7**	48.3	44.1	53.0	64.7
Auto allowance	**31.8**	33.3	36.8	28.0	26.5
Deferred compensation	**30.5**	34.5	29.4	24.0	41.2
Financial counseling	**24.0**	14.9	20.6	28.0	41.2
Low-cost loans	**14.4**	11.5	16.2	14.0	20.6
Stock options	**2.7**	1.1	2.9	3.0	5.9
Stock purchase plan	**2.7**	1.1	4.4	3.0	2.9
Performance shares	**0.7**	0.0	2.9	0.0	0.0
Other	**8.2**	12.6	7.4	7.0	2.9
None of the above	**2.4**	2.3	2.9	2.0	2.9

Results do not add to 100% due to multiple responses.

Background Experience

The vast majority of health care chief executives (86.5 percent) come from administration/operations backgrounds, as compared with the sales/marketing experience typical of the largest percentage of *Fortune* 1,000 CEOs (31.2 percent). Type of background is unrelated to institutional size, except in the area of finance. Almost one-sixth of the responding executives in organizations of 1,000 or more beds indicate this functional background, compared with the sample average of 6.2 percent.

The changing health care environment contributes to the fact that more executives under 40 have experience in such functionally specific areas as finance, planning, systems, and law.

		By Age			
	Total	*Under 40*	*40–49*	*50–59*	*60+*
Administration/Operations	**86.5%**	79.4%	90.6%	86.7%	81.3%
Finance	**6.2**	11.8	5.7	5.3	6.3
Medicine/Research	**3.6**	0.0	1.9	8.0	3.1
Planning	**2.2**	5.9	2.8	0.0	0.0
Sales/Marketing	**1.1**	0.0	1.9	0.0	3.1
Engineering	**1.1**	0.0	0.9	0.0	0.0
Systems	**1.1**	2.9	0.9	0.0	0.0
Public Relations/Communications	**1.1**	0.0	0.9	0.0	3.1
Personnel	**0.7**	0.0	0.0	1.3	3.1
Legal	**0.4**	2.9	0.0	0.0	0.0
Other	**1.5**	0.0	0.9	2.7	3.1

Results do not add to 100% due to multiple responses.

Number of Full-Time Employers

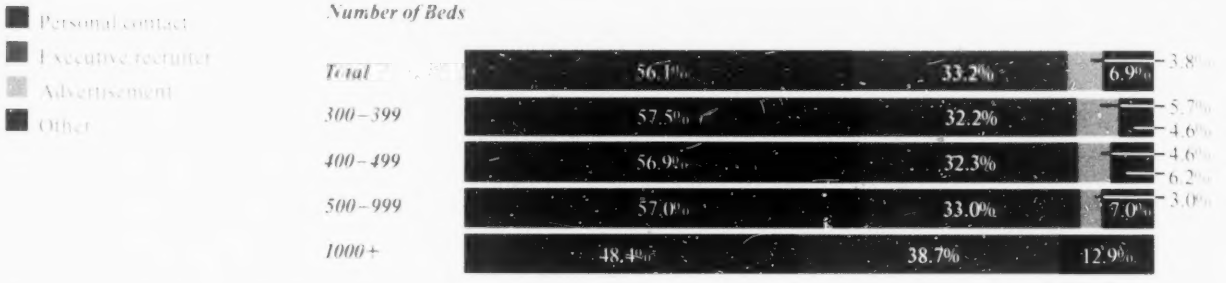
Health care chief executives have worked for an average of 3.6 employers during their careers. This figure represents one more than their counterparts in the *Fortune* 1,000 organizations, and is no doubt inflated to some extent by the prevalence of administrative residency years in graduate programs. Moreover, only 6.9 percent of the respondents have devoted their entire careers to a single employer, compared with almost one-third of the *Fortune* CEOs.

The greatest mobility (3.84 employers) is exhibited by executives in institutions with 1,000 or more beds, while the least mobility (3.57 employers) is found among respondents from institutions with 500–999 beds.

		Number of Beds			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
One	6.9%	7.3%	7.7%	6.5%	6.3%
Two	18.0	17.1	18.5	15.2	31.3
Three	26.4	26.8	21.5	31.5	9.4
Four	22.0	20.7	21.5	26.1	15.6
Five	15.9	19.5	16.9	12.0	18.7
Six or more	10.8	8.6	13.9	8.7	18.7
	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	3.64	3.62	3.72	3.57	3.84

Source of Change to Present Position

A majority of health care chief executives cite "personal contact" as the key to making an organizational move. However, those heading the largest health care institutions are more likely to have an executive recruiter as the source of change than executives at smaller organizations.



Hours Devoted to Business Weekly

A majority of responding health care chief executives spend 60 hours or more working each week. Expectedly, those from the largest institutions devote the most time: 70.6 percent from 1,000-or-more bed organizations indicate a work week of 60 or more hours, while 58.6 percent of the executives from 300–399 bed institutions fall into this category.

		Number of Beds			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
Less than 50 hours	2.4%	4.6%	2.9%	1.0%	0.0%
50–59	37.7	36.8	33.8	43.0	29.4
60–69	44.5	46.0	45.6	40.0	52.9
More than 69 hours	15.4	12.6	17.7	16.0	17.7
	100.0%	100.0%	100.0%	100.0%	100.0%

Percentage of Time Devoted to External Affairs

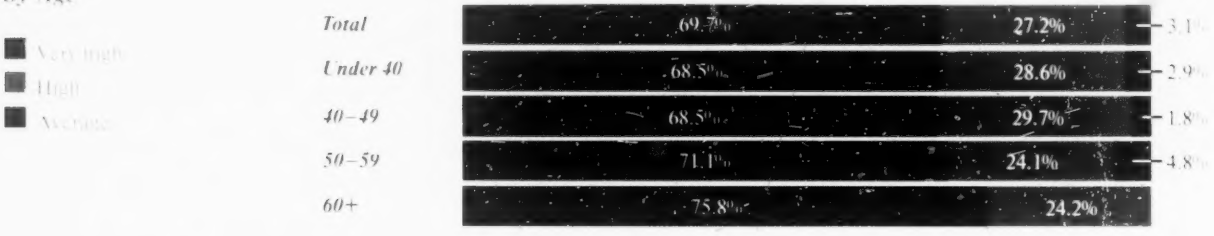
Half of responding health care chief executives devote at least 40 percent of their time to external affairs. As would be expected, the proportion is greatest among those in institutions with 1,000 or more beds, where one out of four executives spends 60 percent or more of his time on such matters. Executives in 300–399 bed organizations give the least amount of time to external affairs.

		Number of Beds			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
Less than 20 percent	7.9%	11.5	2.9	10.1	2.9
20–29 percent	20.6	24.1	14.7	20.2	23.5
30–39 percent	21.3	23.0	25.0	21.2	11.8
40–49 percent	18.2	16.1	20.6	19.2	14.7
50–59 percent	15.5	16.1	16.2	13.1	20.6
60 percent or more	16.5	9.2	20.6	16.2	26.5
	100.0%	100.0	100.0	100.0	100.0

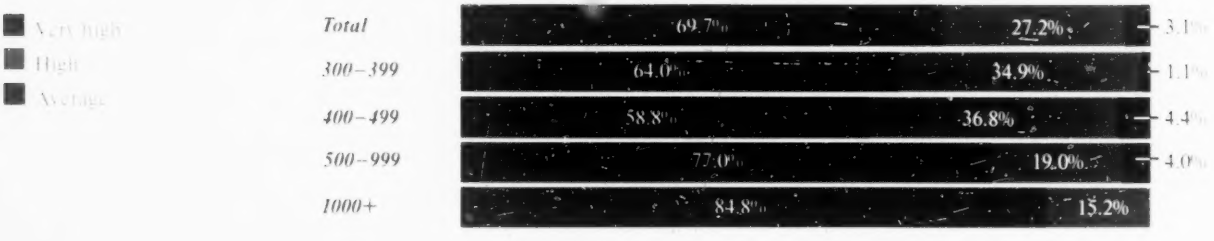
Satisfaction with Career Progress

Health care chief executives express a great deal of satisfaction with the progress of their careers. More than two-thirds of the respondents indicate "very high" when asked to designate degree of career satisfaction. That percentage increases with age and institutional size. Three-quarters of those 60 or older express "very high" satisfaction with their careers, as do 84.8 percent of the executives in organizations of 1,000 or more beds.

By Age



By Size



Leadership Style

In the consensus-oriented health care environment, it is not surprising that more than 71 percent of health care chief executives practice either a *consulting* or *delegating* style of management.

		By Age			
	Total	*Under 40*	*40–49*	*50–59*	*60+*
Tell	2.3%	6.4	2.0	1.4	0.0
Sell	11.1	19.4	12.1	5.5	16.1
Test	15.4	12.9	18.2	9.6	16.1
Consult	30.8	19.4	31.3	31.5	38.7
Delegate	40.4	41.9	36.4	52.0	29.1
	100.0%	100.0	100.0	100.0	100.0

Key

Tell: initiate action, make decisions, and instruct my staff in what I want done.

Sell: initiate action, make decisions, but explain actions to sell my staff on the value of my selected course of action.

Test: develop a "loose" plan of action, and ask my staff for their reactions in refining and shaping final decisions.

Consult: ask my staff for help in developing courses of action, but I make the final decision.

Delegate: give my staff the problems, set guidelines, and back the decisions they reach.

Source: "How to choose a leadership pattern," by Robert Tannenbaum and Warren H. Schmidt, *Harvard Business Review*, May–June 1973.

Title

Almost 91 percent of respondents heading the largest health care institutions in the nation hold the title of CEO. As the size of the organization decreases, so does the proportion of respondents who hold that title. Overall, more than two-thirds of the survey population are called Chief Executive Officers of their institutions. More than half hold the title of President. The titles Administrator, Executive Director, and Director are only held in institutions with fewer than 1,000 beds.

		Number of Beds			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
CEO	69.7%	65.5%	67.6%	70.0%	90.9%
President	54.8	57.5	55.9	51.0	54.5
Administrator	6.8	12.6	5.9	5.0	0.0
Executive Director	5.8	5.7	8.8	6.0	0.0
Executive Vice President	4.1	2.3	1.5	8.0	3.0
Director	2.0	1.1	1.5	4.0	0.0
Other	1.4	1.1	0.0	3.0	0.0

Results do not add to 100% due to multiple responses.

Title in Multihospital System

The larger the organization, the higher the percentage of respondents who are chief executives of the parent company—93.5 percent in institutions with 1,000 or more beds compared with 47.2 percent in institutions with 300–399 beds.

		Number of Beds			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
Parent Company	60.1%	47.2	48.6	56.3	93.5
Hospital(s)	73.4	94.4	81.1	82.8	29.0
Subsidiary(ies)	25.4	27.8	29.7	26.6	16.1

Results do not add to 100% due to multiple responses.

Location

In keeping with traditional population centers, 72 percent of health care institutions are located in the East and Midwest. However, chief executives from the Southwest and West represent 23.5 percent and 20.6 percent, respectively, of institutions with 1,000 or more beds. Two-thirds of all respondents are in charge of one-location institutions.

		Number of Beds			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
East	35.9%	39.1	32.8	37.0	32.4
Midwest	36.2	42.5	31.3	33.0	38.2
South	11.4	8.0	13.4	13.0	11.8
Southwest	8.6	3.4	7.5	9.0	23.5
West	12.4	9.2	16.4	9.0	20.6

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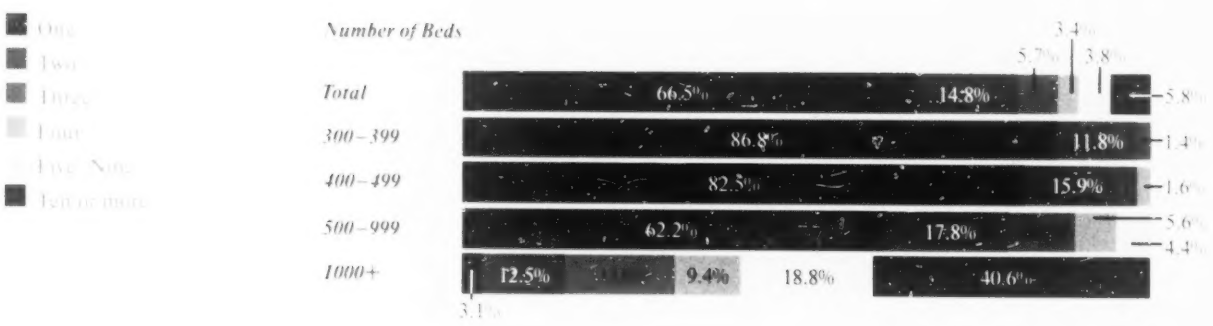


Size and Type(s) of Institution(s)

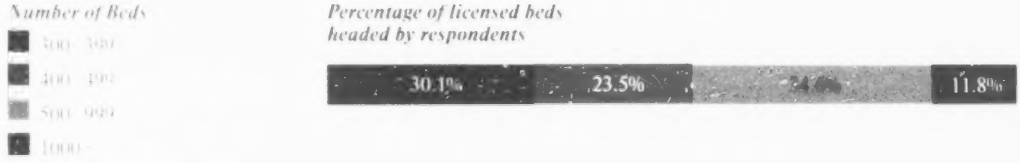
An overwhelming majority of health care chief executives head not-for-profit institutions, regardless of bed size. The largest percentage of respondents, more than one-third, are chief executives of organizations with 500–999 beds.

Type(s) of Institution(s)

		Number of Beds			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
Not-for-profit	96.1%	98.8	98.5	91.9	97.0
Publicly owned university teaching hospital	0.7	0.0	1.5	1.0	0.0
Privately owned university teaching hospital	4.9	1.2	3.0	9.1	6.1
Privately owned affiliated teaching hospital	24.2	18.8	30.3	25.3	24.2
Publicly owned affiliated teaching hospital	2.8	0.0	1.5	6.1	3.0

Results do not add to 100% due to multiple responses.

Size of Institution(s)



Organization Structure

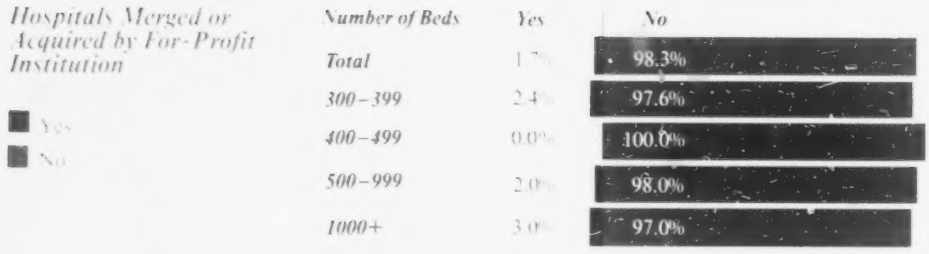
More than half of all health care organizations have been corporately restructured. Almost as many (45.9 percent) are part of multihospital systems. The greater the total number of beds, the more likely they are to be part of a multihospital system. As expected, those organizations with 300–399 beds are twice as likely to be non-affiliated as those with 1,000 or more beds.

Respondents indicate that 1.7 percent of their hospitals have been merged or acquired by for-profit institutions. Another 5.7 percent have merged or been acquired by not-for-profit institutions. Of the remainder, 13.4 percent are considering merging or being acquired within the next two years.

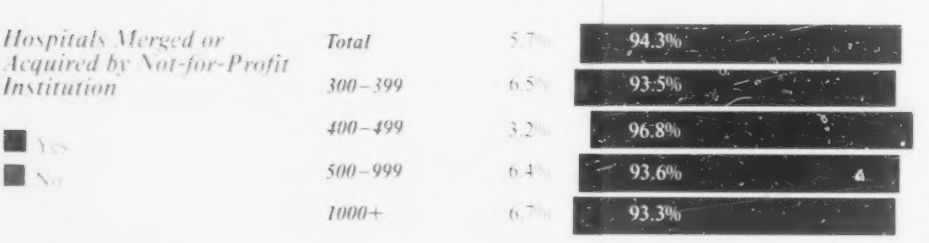
		Number of Beds			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
Corporately restructured	51.4%	49.4	50.0	54.1	55.9
Part of a multihospital system	45.9	34.5	41.2	52.0	61.8
Independent	37.9	47.1	42.6	32.7	23.5
Religious affiliated	26.2	24.1	25.0	27.6	29.4

Results do not add to 100% due to multiple responses.

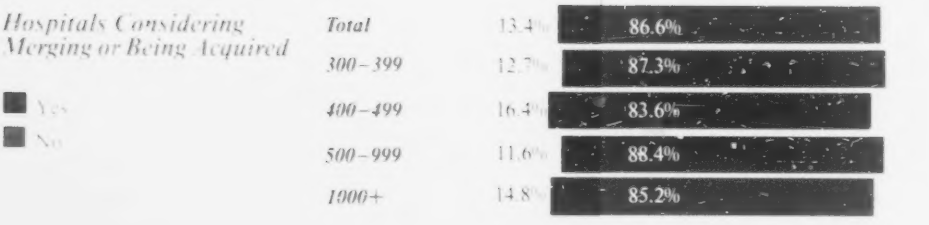
Hospitals Merged or Acquired by For-Profit Institution



Hospitals Merged or Acquired by Not-for-Profit Institution



Hospitals Considering Merging or Being Acquired



Recent Reduction in Staffed Beds

Respondents indicate that their institutions have reduced the number of staffed beds 14 percent on average over the past two years. Organizations with 300–399 beds experience the greatest proportion of reductions, with 44.7 percent downsizing their organizations one-fifth or more.

		Number of Beds			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
Less than 10 percent	21.9%	14.9%	20.5%	28.4%	16.7%
10–14 percent	38.3	36.2	47.7	31.3	45.8
15–19 percent	13.1	4.2	13.7	13.4	29.2
20–24 percent	16.9	27.7	9.1	17.9	8.3
25–29 percent	2.7	0.0	4.5	4.5	0.0
30–34 percent	3.3	10.6	0.0	1.5	0.0
More than 34 percent	3.8	6.4	4.5	3.0	0.0
	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	13.74%	16.49%	12.77%	13.19%	12.17%

Staff Reporting

A majority of health care chief executives indicate eight functions that report directly to them. Not surprisingly, the larger the organization, the fewer the functions that report directly to the chief executives.

		Number of Beds			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
Board relations	91.8%	92.0%	94.1%	90.0%	97.0%
Finance	86.1	81.6	88.2	84.0	97.0
Strategic planning	84.7	82.8	88.2	84.0	84.8
Physician relations	68.7	82.8	82.4	62.0	30.3
Hospital operations	63.6	64.4	64.7	64.0	60.6
Sales/marketing	57.1	62.1	67.6	54.0	33.3
Development	55.1	65.5	48.5	61.0	27.3
Joint ventures	51.0	60.9	47.1	51.0	33.3
Legal	48.0	55.2	42.6	44.0	48.5
Professional associations/ activities outside hospital	46.9	55.2	45.6	45.0	36.4
Public relations	42.5	52.9	45.6	35.0	33.3
Legislative affairs	41.2	47.1	36.8	40.0	36.4
Community relations	35.7	47.1	30.9	36.0	21.2
Internal auditing	22.1	16.1	33.8	21.0	21.2
Inpatient care	21.1	31.0	16.2	21.0	3.0
Quality of care	17.0	32.2	11.8	13.0	3.0
Pastoral care	15.6	21.8	17.6	13.0	3.0
Outpatient care	14.6	21.8	10.3	16.0	0.0
Graduate medicine education	13.6	20.7	14.7	11.0	3.0
Other	5.4	3.4	2.9	6.0	12.1

Results do not add to 100% due to multiple responses.

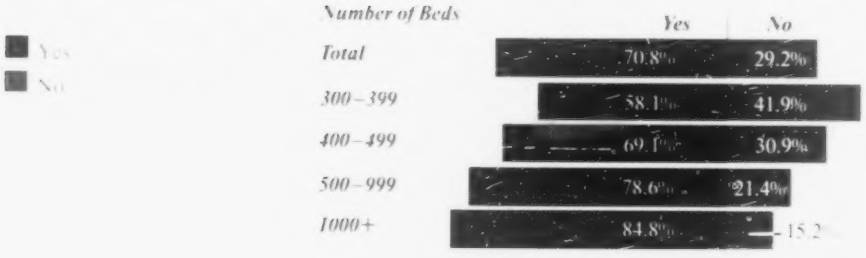
Most Effective Health-Service Delivery Systems

Almost three-quarters of the health care chief executives rank as the most effective health-service delivery systems group insurance plans, preferred provider organizations, or health maintenance organizations. Rankings vary according to size of institution. HMOs rank highest with chief executives of 1,000-or-more bed organizations, while medium-sized institutions consider PPOs the premier health-service delivery system. The smallest institutions consider group insurance plans to be the most effective delivery systems offered.

		Number of Beds			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
Group insurance plans	25.3%	30.4%	25.4%	21.3%	25.0%
Preferred provider organizations	24.5	24.0	30.1	25.5	15.5
Health maintenance organizations	24.2	19.0	17.5	22.4	46.9
Independent practice associations	14.3	16.4	17.5	13.8	6.3
Primary care networks	9.5	8.9	6.3	13.8	6.3
Other	2.2	1.3	3.2	3.2	0.0
	100.0%	100.0%	100.0%	100.0%	100.0%

Presence of COO

Seven out of ten institutions (70.8 percent) employ a chief operating officer. As would be expected, the larger the health care organization, the more likely is the presence of this executive. The percentage increases to more than four out of five in the largest institutions.



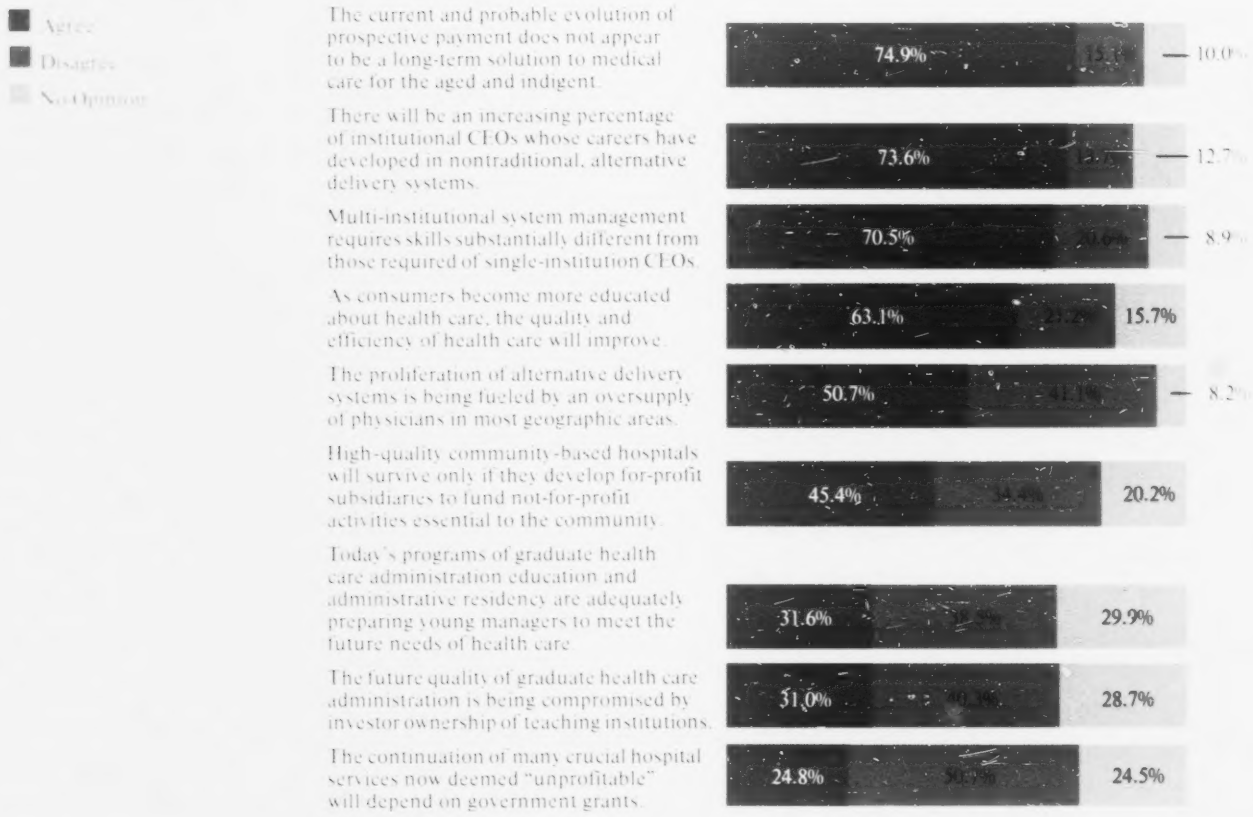
Offered Services

Participants indicate a wide range of services offered by their hospitals. With few exceptions, the percentage of organizations that offer a particular service increases with the number of beds in the organization.

		Number of Beds			
	Total	*300–399*	*400–499*	*500–999*	*1000+*
Home health care	78.2%	74.7%	70.1%	80.0%	100.0%
Pharmacy	76.5	71.3	80.6	75.0	87.1
Outpatient lab	73.4	64.4	70.1	77.0	90.3
Primary care center	65.1	52.9	73.1	66.0	80.6
Wellness program	64.4	60.9	51.2	71.0	58.1
Medical office building	64.4	60.9	56.7	66.0	80.6
Employee assistance program	61.9	57.5	55.2	64.0	80.6
Surgicenter	59.2	42.5	67.2	62.0	80.6
Breast cancer screening	54.0	48.3	50.7	56.0	71.0
Durable medical equipment sales	47.4	36.8	40.3	53.0	74.2
Preferred provider organization	47.1	42.5	46.3	48.0	58.1
Sports medicine	42.3	37.9	32.8	46.0	64.5
Hospice	41.5	35.6	35.8	41.0	67.7
Disposable medical equipment sales	40.1	26.4	34.3	49.0	61.3
Health maintenance organization	33.9	27.6	35.8	33.0	51.6
Back pain clinic	33.6	31.0	28.4	34.0	48.4
Industrial medicine clinic	33.2	29.9	28.4	34.0	48.4
Fitness center	32.5	19.5	26.9	41.0	51.6
Contract management	32.5	20.7	31.3	35.0	54.8
Diagnostic center	29.1	21.8	28.4	30.0	48.4
Independent practice association	27.0	24.1	31.3	26.0	32.3
Urgicenter	26.6	20.7	17.9	31.0	48.4
Osteoporosis screening	19.7	14.9	19.4	23.0	25.8
Lithotripter	13.5	3.4	6.0	22.0	32.3
Older adult housing	11.1	6.9	9.0	10.0	22.6
Other	9.3	10.3	9.0	6.0	12.9

Results do not add to 100% due to multiple responses.

Views of Health Care Chief Executives


Agree
Disagree
No Opinion
The current and probable evolution of prospective payment does not appear to be a long-term solution to medical care for the aged and indigent.
74.9%
10.0%
There will be an increasing percentage of institutional CEOs whose careers have developed in nontraditional, alternative delivery systems.
73.6%
12.7%
Multi-institutional system management requires skills substantially different from those required of single-institution CEOs.
70.5%
8.9%
As consumers become more educated about health care, the quality and efficiency of health care will improve.
63.1%
15.7%
The proliferation of alternative delivery systems is being fueled by an oversupply of physicians in most geographic areas.
50.7%
8.2%
High-quality community-based hospitals will survive only if they develop for-profit subsidiaries to fund not-for-profit activities essential to the community.
45.4%
20.2%
Today's programs of graduate health care administration education and administrative residency are adequately preparing young managers to meet the future needs of health care.
31.6%
29.9%
The future quality of graduate health care administration is being compromised by investor ownership of teaching institutions.
31.0%
28.7%
The continuation of many crucial hospital services now deemed "unprofitable" will depend on government grants.
24.8%
24.5%

About Heidrick and Struggles

For more than three decades, Heidrick and Struggles has devoted its full resources and capabilities to providing superior executive search services worldwide. Client organizations within every one of the world's major industries have retained Heidrick and Struggles to identify, evaluate, and attract high caliber executive talent for specific opportunities within upper, middle and top management and on boards of directors. One of the best-known and most experienced in executive selection, the firm comprises more than 80 professionals, supported by a sophisticated information base in a network of 17 offices located in major business centers in the United States and Europe.

To contribute to the body of knowledge available to senior management, Heidrick and Struggles periodically publishes profiles of incumbents in key management posts. The firm is pleased to add this publication to others it produces to report trends of significance to directors and senior management.

Publications

A list of recent Heidrick and Struggles publications appears below. Copies and prices are available from the firm's Communications/Public Relations Department in Chicago.

United States

The Changing Board
A survey of chairmen and the boards they direct (issued annually since 1966)

Director Data
Chief Executive Officer
Health Care Chief Executive
Profile of a Chief Financial Officer
Profile of a Chief International Officer
Profile of a Bank and Bank Holding Company Chief Executive Officer
Human Resources: Function in Transition
Research and Development
Mobile Manager
Profile of a Woman Officer

The Search for Management
Services of an executive recruiting firm

Europe

Le Talent De Diriger
Chief Executive Officer Data
The UK Chief Executive and His Outlook
The Characteristics of Newly Appointed CEOs in the UK
Profile of the Chief Financial Officer in the United Kingdom
Leiter Finanz-und Rechnungswesen Deutschland
Chief Marketing Executive in the United Kingdom
Marketingleiter Deutschland
Profile of a Chief International Officer
La Mobilità dell' Alta Direzione in Italia
Leiter Personalwesen in Deutschland
Le Directeur Du Personnel Dans Les Benelux
Profile of a Chief Personnel Executive in the United Kingdom
Profil du Directeur du Personnel en France
Top Management in the UK Computing Industry
Information Technology—The Management of Change in the UK

The Search for Management in Europe
A general description of Heidrick and Struggles' activities in Europe

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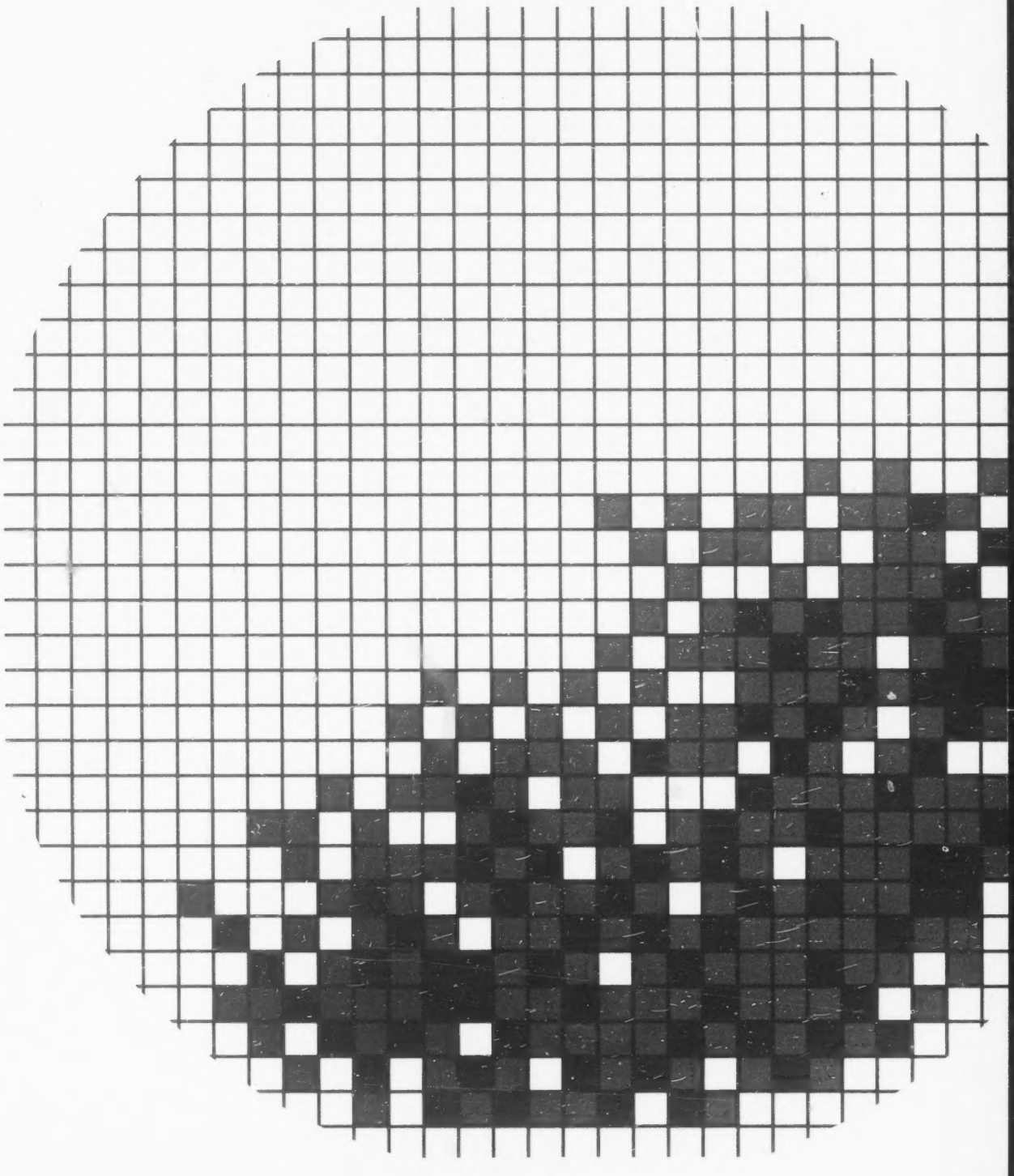
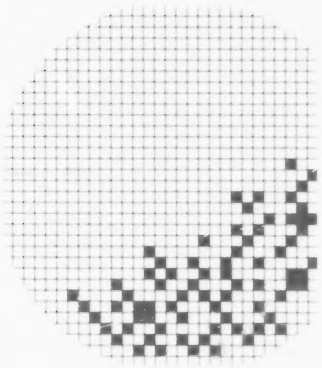
The Information/Technology Chief Executive Officer



Heidrick and Struggles

Consultants in Executive Search



About This Study

In 1986, Heidrick and Struggles conducted this survey of information/technology chief executive officers to contribute to a better understanding of leadership in high-technology organizations.

Members of our survey sample head 1,399 independent, privately held, or publicly owned information/technology companies with sales volumes of less than $416 million and 15 or more full-time employees. Responses were received from 25 percent of the sample selected.

Heidrick and Struggles is grateful to the information/technology chief executives who took the time and effort to make this study possible.

Findings of a study of information/technology chief executives of 1,399 of America's high-technology organizations.

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Introduction

A new era in information/technology is underway, characterized by fierce international competition in research and development and greater challenge in taking high-tech products to market with good documentation, knowledgeable customer support, and adequate testing. In keeping with this climate, almost six of ten of the chief executives who participated in this study identify leadership ability or hard work as the most important factor in their professional success.

The information/technology CEOs surveyed are primarily concerned with finding the best managerial and technical talent available to staff their organizations. In fact, a majority of these executives rank the challenge of attracting and retaining talented employees as their top priority in managing their companies. Perhaps that is why seven of ten respondents agree that CEOs frequently meet the growing demand for high-tech managers by promoting younger people with technical backgrounds to top management posts.

The short tenure of responding information/technology CEOs reflects this rapidly evolving industry: 45 percent of our survey participants have been in their present positions for three years or less, and 55 percent have been with their present employers for five years or less.

This is understandable and in stark contrast with the average tenure reported by *Fortune* 1000 CEOs, 45 percent of whom report holding their positions for six years or more, and 82 percent of whom have been with their present employers for eleven years or more.

The information/technology chief executive is younger than his counterpart in the *Fortune* 1000—with an average age of just 48.2, versus 56.6 for the *Fortune* top executive. Like other CEOs, he spends a great deal of time working, devoting 60 hours or more to business weekly. He is more mobile than his *Fortune* peers, having had an average of four employers during the course of his career, twice as many as the average *Fortune* CEO.

Despite the stresses associated with the top post, 84 percent of our information/technology chief executives agree that CEOs enjoy their work more than executives at other levels. This attitude can only be a plus in today's competitive high-tech climate. So, too, is implementing aggressive marketing and sales in an effort to climb out of the recent high-tech economic slump. No wonder four-fifths of our survey respondents identify the strength of the marketing and sales function as a requisite for corporate peak performance.

James E. Stockwell, Manager
Information Technology Practice
Heidrick and Struggles

Highlights

The typical information/technology chief executive in our study:

- ☐ Is a 48-year-old white Protestant male, married to his first spouse
- ☐ Holds one or more advanced degrees
- ☐ Earns annual compensation (salary and bonus) of $149,000 or less
- ☐ Has worked for four or more employers thus far in his career
- ☐ Devotes 60 or more hours a week to his work and spends less than 25 percent of his time on business travel
- ☐ Practices a *consulting* or *delegating* leadership style
- ☐ Indicates marketing and sales management talent as his company's most critical staffing need
- ☐ Believes that a significant number of high-tech products go to market without being adequately tested, with inferior documentation, and with poor support
- ☐ Thinks that the U.S. government should not initiate barriers to prevent foreign firms from having such easy access to U.S. high-technology markets
- ☐ Sees a developing trend to promote younger managers with technical backgrounds to high-level positions as a means of meeting increased demand for information/technology staffs

Personal

Like their counterparts in the *Fortune* 1000 organizations, the typical information/technology chief executive is white, male, Protestant, and married to his first spouse. His age reflects the youth of the industry: the average respondent is 8.4 years younger than the average chief executive of America's largest business organizations—48.2 years compared with 56.6.

The most pronounced personal difference between the *Fortune* 1000 chief executive officers and this survey's respondents is the area of marital status. While 70.5 percent of the information/technology CEOs report that they are still married to their first spouses, 81.3 percent of the *Fortune* 1000 CEOs say their first marriages are intact. Moreover, more than one-quarter of this survey's CEOs aged 40–49 report having been separated or divorced.

Age

		By Company Size (in dollars)			
	Total	*100M+*	*50–100M*	*10–49M*	*Less than 10M*
Under 40	13.8%	3.0%	11.1%	13.7%	16.9%
40–44	21.0	12.1	11.1	26.6	20.8
45–49	21.3	15.2	16.7	20.2	24.7
50–54	22.2	39.4	25.0	21.0	18.8
55–59	14.1	21.2	27.8	12.9	10.4
60+	7.6	9.1	8.3	5.6	8.4
	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	48.18	51.67	50.92	47.56	47.29

			By Age		
Gender	*Total*	*Under 40*	*40–49*	*50–59*	*Over 59*
Male	99.1%	95.8%	99.3%	100.0%	100.0%
Female	0.9	4.2	0.7	0.0	0.0
	100.0%	100.0%	100.0%	100.0%	100.0%
Religion					
Protestant	58.6%	55.8%	54.1%	63.9%	66.7%
Roman Catholic	26.8	23.2	36.1	17.6	20.8
Jewish	7.8	14.0	6.0	8.4	4.2
Other	6.8	7.0	3.8	10.1	8.3
	100.0%	100.0%	100.0%	100.0%	100.0%
Race					
White	96.1%	93.2%	96.5%	95.9%	100.0%
Asian	2.4	4.5	1.4	3.3	0.0
Hispanic	0.9	2.3	1.4	0.0	0.0
Black	0.6	0.0	0.7	0.8	0.0
	100.0%	100.0%	100.0%	100.0%	100.0%
Marital Status					
Single, never married	2.0%	10.4%	1.4%	0.0%	0.0%
Married to first spouse	70.5	64.6	66.7	77.8	73.1
Separated or divorced, not remarried	7.7	8.3	9.5	4.7	7.7
Divorced, remarried	18.4	16.7	22.4	16.7	7.7
Widowed, remarried	1.4	0.0	0.0	0.8	11.5
	100.0%	100.0%	100.0%	100.0%	100.0%

Highest Educational Attainment

More than half of participating information/technology chief executives hold at least one advanced degree. Of those who pursued postgraduate study, almost three of seven hold M.B.A. degrees. Next in frequency are doctorate or master's degrees in a technical subject. Expectedly, respondents under age 40 most frequently hold M.B.A.s.

More than half the CEOs name engineering as their undergraduate specialty. Just 9 percent do not hold college degrees.

			By Age		
	Total	*Under 40*	*40–49*	*50–59*	*Over 59*
No College Degree	9.2%	10.4%	6.8%	9.5%	19.2%
B.S. or B.A. only	37.0	35.4	32.7	43.7	30.8
M.B.A.	22.1	27.1	26.5	18.2	7.7
Doctorate in Technical Subject	12.3	12.5	10.9	12.7	19.2
Master's in Technical Subject	12.0	6.2	12.9	11.1	23.1
Two Master's Degrees	3.4	4.2	4.1	2.4	0.0
Other Graduate Degree	4.0	4.2	6.1	2.4	0.0
	100.0%	100.0%	100.0%	100.0%	100.0%

Compensation

More than two-fifths of participating CEOs, 41.7 percent, earn $100,000–$149,000 annually. Average annual cash compensation (salary and bonus) for information/technology CEOs reflects company size. Almost three of five CEOs heading companies sized $100 million or more report annual compensation of more than $250,000.

Cash Compensation

		By Company Size (in dollars)			
	Total	*100M+*	*50–100M*	*10–49M*	*Less than 10M*
More than $250,000	11.2%	57.6%	19.5%	8.7%	1.3%
$200,000–$250,000	12.3	30.3	33.3	12.7	3.2
$150,000–$199,000	15.4	9.1	36.1	21.4	7.1
$100,000–$149,000	41.7	0.0	11.1	50.8	50.3
Less than $100,000	19.4	3.0	0.0	6.4	38.1
	100.0%	100.0%	100.0%	100.0%	100.0%

Perquisites

The majority of responding information/technology chief executives receive automobiles, stock options, and extra life insurance as perquisites.

	By Company Size (in dollars)				
	Total	*100M+*	*50–100M*	*10–49M*	*Less than 10M*
Automobile	65.6%	75.8%	80.6%	70.6%	55.8%
Stock options	65.0	84.8	80.6	65.1	57.1
Extra life insurance	52.1	63.6	66.7	56.3	42.9
Stock purchase plan	28.7	54.5	38.9	29.4	20.1
Management contract	24.4	30.3	50.0	23.0	18.2
Financial counseling	23.8	42.4	25.0	23.0	20.1
Deferred compensation	19.5	36.4	30.6	22.2	11.0
Low-cost loans	15.8	9.1	19.4	19.0	13.6
Country club membership	15.2	24.2	25.0	19.0	7.8
Town club membership	12.3	21.2	19.4	13.5	7.8
Tax shelters	11.2	6.1	2.8	14.3	11.7
Performance shares	7.2	12.1	13.9	6.3	5.2
None of the above	3.2	0.0	0.0	2.4	5.2

Results do not add to 100 percent due to multiple responses.

Title

More than two-fifths of the CEOs responding to this survey hold the Chairman title, either alone or combined with that of President.

		By Company Size (in dollars)			
	Total	*100M+*	*50–100M*	*10–49M*	*Less than 10M*
Chairman	9.1%	18.2%	16.7%	7.9%	6.5%
Chairman and President	34.9	21.2	33.3	33.3	39.4
President	38.3	30.3	27.8	39.7	41.3
President and CEO	13.4	24.3	13.9	14.3	10.3
Chairman and CEO	1.4	3.0	5.5	0.8	0.6
CEO	0.6	0.0	0.0	0.8	0.6
Other	2.3	3.0	2.8	3.2	1.3
	100.0%	100.0%	100.0%	100.0%	100.0%

Company Type, Size and Location

While information/technology companies provide a wide range of products and services, more than three-fourths of the CEOs who participated in this survey classify themselves as systems or product manufacturers. Not surprisingly, the majority of firms are headquartered in the West, and four of five are businesses sized less than $50 million.

Company Type

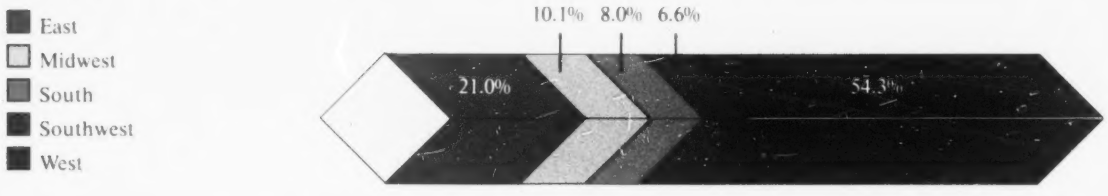
		By Company Size (in dollars)			
	Total	*100M+*	*50–100M*	*10–49M*	*Less than 10M*
Systems Manufacturer	35.6%	50.0%	37.1%	30.2%	36.8%
Products Manufacturer	43.1	43.8	45.7	47.6	38.7
Components Manufacturer	17.0	15.6	14.3	15.9	18.7
Software	15.2	12.5	17.1	15.9	14.8
Services	10.9	25.0	11.4	9.5	9.0

Results do not add to 100 percent due to multiple responses.

Company Size

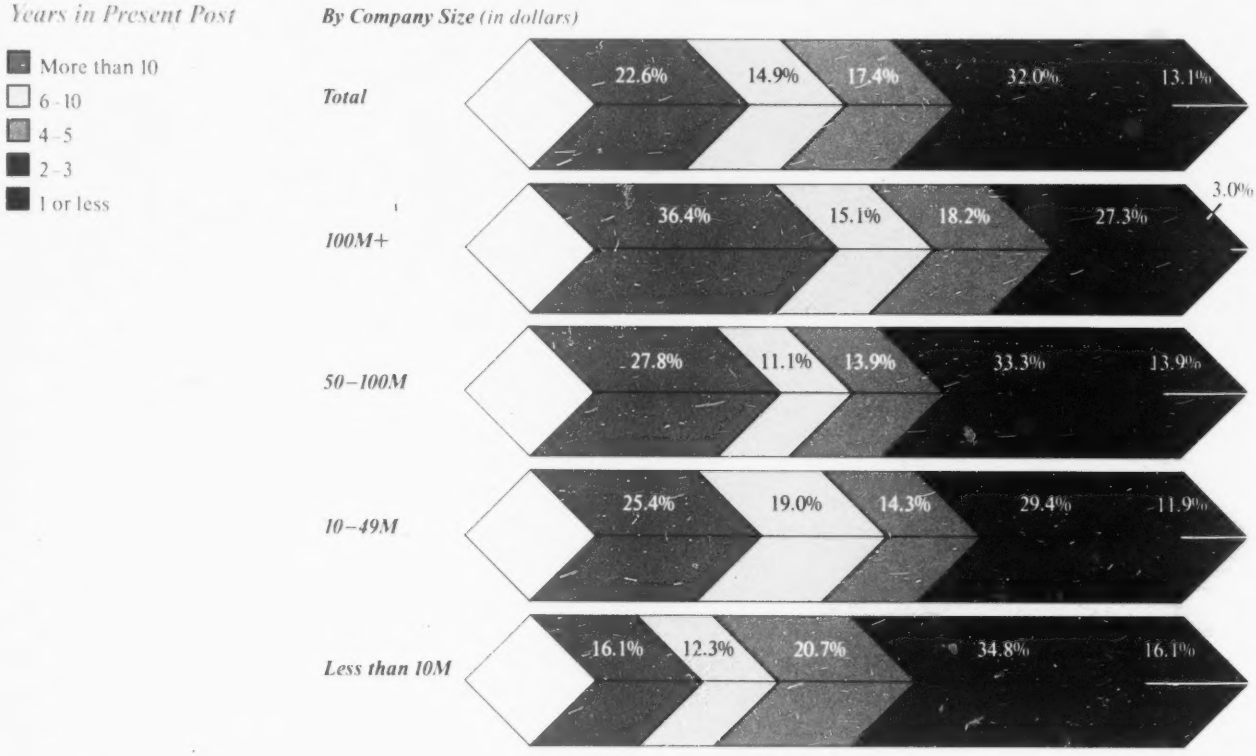
		By Location				
	Total	*East*	*Midwest*	*South*	*Southwest*	*West*
More than $100M	9.4%	16.4%	22.9%	7.1%	13.0%	4.2%
$50M–100M	10.3	16.4	2.8	17.9	21.8	6.9
$10M–49M	36.0	41.1	31.4	42.9	13.0	36.5
Less than $10M	44.3	26.1	42.9	32.1	52.2	52.4
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Company Location



Years in Present Post

Forty-five percent of information/technology CEOs have held their present posts for three years or less, compared with the typical *Fortune* 1000 CEO who has held his present position for almost seven years. The larger the organization, the longer the CEO's tenure. More than half of the CEOs in companies sized $100 million or more have held their present posts for six or more years.



Immediate Previous Positions

Fully 46.3 percent of the survey respondents are company founders. Mobility characterizes the information/technology CEO. Almost one in four reports assuming the CEO post from within his present company, compared with four of five *Fortune* 1000 CEOs who indicate being promoted from within.

		By Company Size (in dollars)			
	Total	*100M+*	*50–100M*	*10–49M*	*Less than 10M*
CEO of another company	18.4%	12.1%	16.7%	16.6%	21.6%
COO of present company	7.8	33.3	13.9	4.8	3.3
COO of another company	6.9	3.0	11.1	4.8	8.5
Other post, present company	15.5	24.3	11.1	19.8	11.1
Other post, another company	42.2	18.2	30.5	47.6	45.7
In academe	2.6	3.0	2.8	3.2	2.0
Other	6.6	6.1	13.9	3.2	7.8
	100.0%	100.0%	100.0%	100.0%	100.0%

Work Week

Three of five information/technology chief executives spend 60 hours or more working each week. Those from the largest companies—presumably with larger staffs—also work longer hours: 71.9 percent from companies sized $100 million or more indicate a work week of 60 or more hours, while 54.8 percent of the CEOs in companies sized less than $10 million fall into this category.

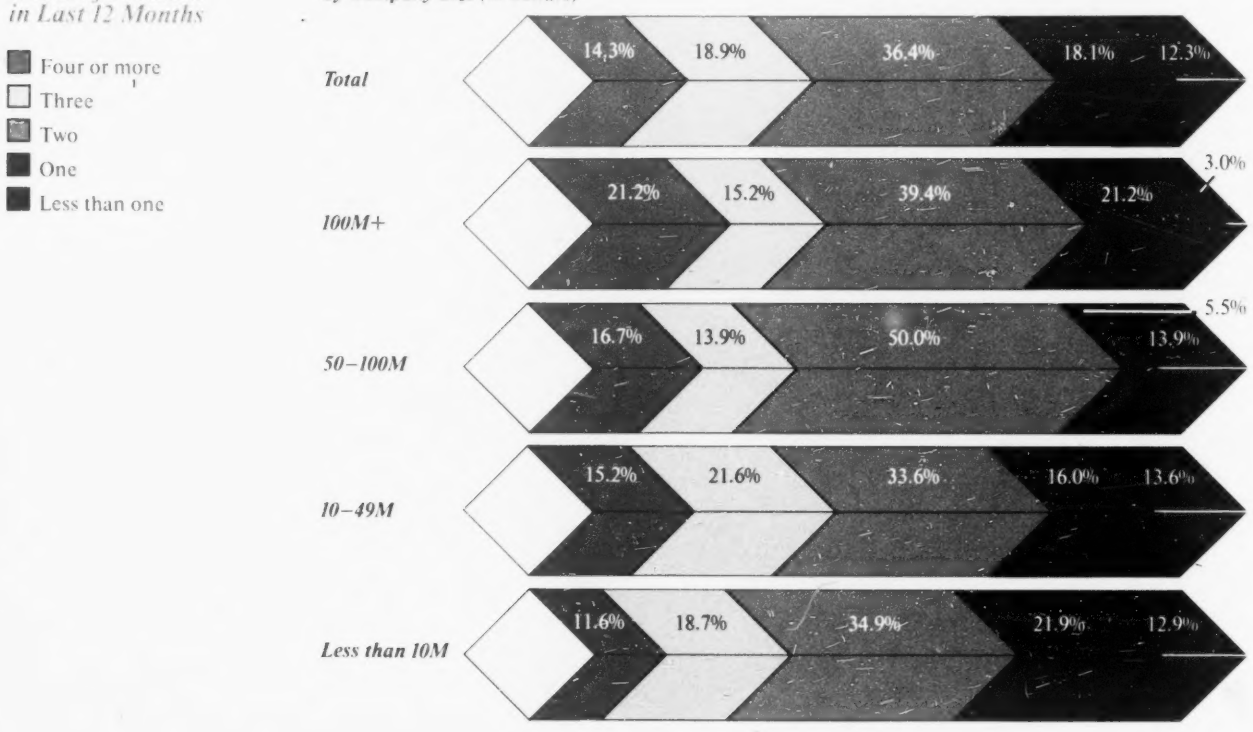
Work Week Hours

		By Company Size (in dollars)			
	Total	*100M+*	*50–100M*	*10–49M*	*Less than 10M*
Less than 50	6.3%	6.2%	5.6%	5.6%	7.1%
50–59	34.2	21.9	19.4	36.8	38.1
60–69	45.7	56.3	66.7	44.8	39.3
More than 69	13.8	15.6	8.3	12.8	15.5
	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	58.6	59.6	59.4	58.9	58.0

Vacation

More than two of three participating chief executives surveyed took two weeks or less of vacation time in the past 12 months. One in five CEOs in $100 million-or-more organizations reports taking four or more weeks of vacation during the last year.

Weeks of Vacation in Last 12 Months



Number of Full-Time Employers

In keeping with the rapid rate of company start-ups and closings in the information/technology industry, the typical chief executive has had four full-time employers during his career—twice as many as reported by *Fortune* 1000 CEOs. Moreover, only 4.2 percent of the respondents have devoted their entire careers to a single employer, compared with almost one-third of the *Fortune* CEOs who have done so.

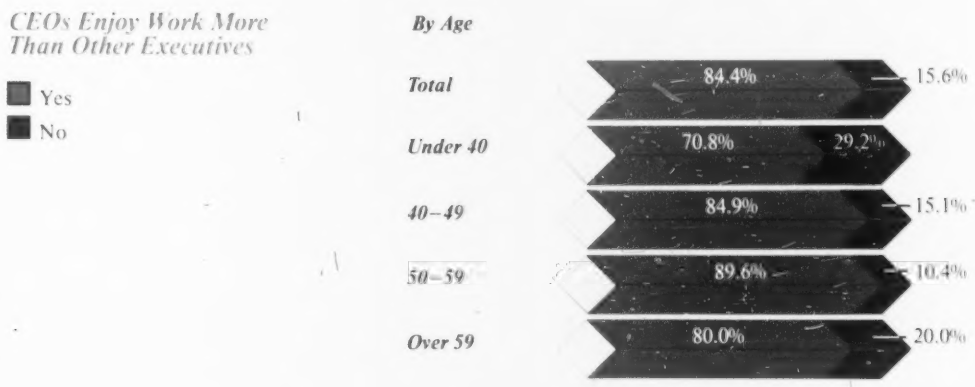
Greatest mobility (average=4.18 employers) is exhibited by executives of companies the size of $10 million or less, where one in five has had six or more employers thus far in his career.

		By Company Size (in dollars)			
	Total	*100M+*	*50–100M*	*10–49M*	*Less than 10M*
One	4.2%	6.5%	11.8%	2.6%	3.3%
Two	14.1	16.1	20.6	13.7	12.7
Three	25.0	38.7	29.4	20.5	24.7
Four	22.0	9.6	14.7	25.6	23.3
Five	18.7	22.6	8.8	23.9	16.0
Six–ten	15.7	6.5	14.7	13.7	19.3
More than ten	0.3	0.0	0.0	0.0	0.7
	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	4.00	3.48	3.38	4.09	4.18

CEOs Enjoy Work

Information/technology CEOs overwhelmingly believe that chief executives enjoy their work more than executives at other levels. Whether the CEO is also the company founder does not influence this belief.

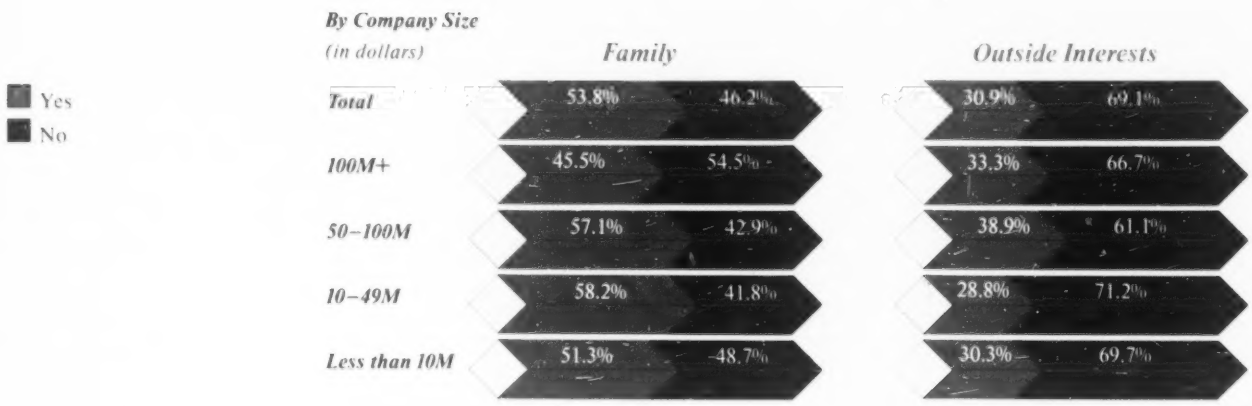
CEOs Enjoy Work More Than Other Executives



Sufficient Time

A majority of the responding information/technology chief executives feel they have adequate time to spend with their families, compared with almost two-thirds of their *Fortune* 1000 counterparts who report having insufficient family time. However, survey participants believe that they do not have enough time to pursue outside interests, with seven of ten indicating this response.

Do you feel you have sufficient time to spend with:



Geographic Relocation

Nearly half (49.2 percent) of the information/technology CEOs report having moved three or more times. Mobility is greatest among those who manage companies sized $50–100 million: four of seven report relocating this frequently.

As is true for *Fortune* 1000 CEOs, almost one in five of the responding chief executives has never undergone a corporate relocation.

Number of Geographic Relocations

		By Company Size (in dollars)			
	Total	*100M+*	*50–100M*	*10–49M*	*Less than 10M*
Zero	18.2%	18.7%	22.2%	15.3%	19.5%
One	18.2	9.4	16.7	18.6	20.1
Two	14.4	18.7	2.8	13.7	16.9
Three	13.3	12.5	13.9	12.9	13.7
Four	11.3	12.5	13.9	14.5	7.8
Five	8.1	9.4	8.3	9.7	6.5
Six	5.8	9.4	0.0	4.8	7.1
Seven–ten	8.4	9.4	11.1	8.9	7.1
More than ten	2.3	0.0	11.1	1.6	1.3
	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	3.08	3.13	4.17	3.20	2.73

Leadership Style

In the relatively flexible management environment of information/technology companies, it is not surprising that more than one-third of the responding chief executives surveyed practice a *consulting* leadership style.

		By Age			
	Total	*Under 40*	*40–49*	*50–59*	*Over 59*
Tell	4.2%	9.3%	2.3%	1.8%	12.5%
Sell	15.4	14.0	17.1	14.1	16.7
Test	20.6	18.6	20.2	24.8	4.1
Consult	36.7	34.9	39.5	33.6	41.7
Delegate	23.1	23.2	20.9	25.7	25.0
	100.0%	100.0%	100.0%	100.0%	100.0%

Key

Tell: initiate action, make decisions, and instruct my staff in what I want done

Sell: initiate action, make decisions, but explain actions to sell my staff on the value of my selected course of action

Test: develop a "loose" plan of action, and ask my staff for their reactions in refining and shaping final decisions

Consult: ask my staff for help in developing courses of action, but I make the final decision

Delegate: give my staff the problems, set guidelines, and back the decisions they reach

Source: "How to choose a leadership pattern," by Robert Tannenbaum and Warren H. Schmidt, *Harvard Business Review*, May–June 1973

Need for Management Talent During the Next Three Years

Responding CEOs rank marketing and sales as the most critical management talent needed by their companies during the next three years. This may be due to the fact that the management methods necessary to deliver new products to market are often missing from technically driven organizations.

Need for additional management talent in the following areas during the next three years in terms of their importance to the company.

(5=Important; 0=Not Important)	*Rank*
Marketing and Sales	4.17
Technical Skills	3.55
General Management	3.29
Operations	3.06
Financial	2.56
Personnel	2.25

Factors that Contribute to Success

Information/technology chief executives believe leadership ability is the critical factor for professional success. Although most are highly educated, respondents rank educational credentials as the least important factor contributing to success.

Factor	*Rank*
Leadership ability	2.23
Hard work	2.52
Results orientation	2.83
Intelligence	2.97
Record of success	3.34
Decisiveness	3.45
Supportive superiors	3.73
Luck	3.85
Educational credentials	4.16

Key

The scores shown represent the mean ranking of each factor that chief executives believe contribute to their professional success: a score of 1.00 would indicate the factor ranked first among the factors considered. The higher the score, the less important the factor is ranked.

Most Significant Challenges Facing the Company

The task of attracting and retaining talented employees ranks as the most significant challenge perceived by information/technology CEOs.

(1=Important; 5=Not Important)	*Rank*
Attracting and keeping talented people	2.42
Domestic competitors	2.45
Obtaining adequate financing	2.62
Technological obsolescence	2.84
Foreign competitors	3.38

Views of Information/ Technology Chief Executive Officers

Agree
Disagree
No Opinion

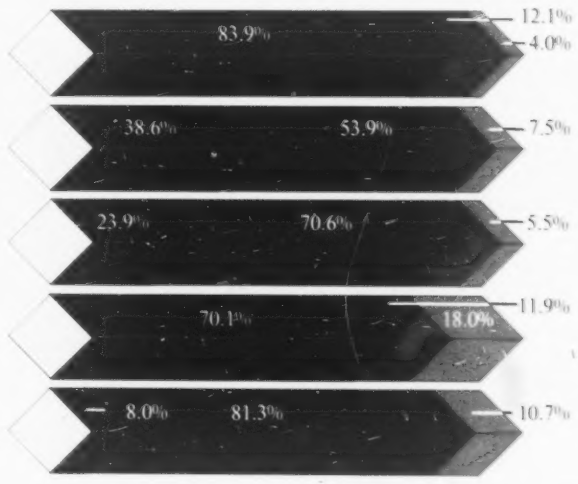
A significant number of high-tech products go to market without being adequately tested, with inferior documentation and with poor support.

The life cycle of high-tech products has been reduced to three to six months of "exclusivity."

The U.S. government should initiate barriers to prevent foreign firms from having such easy access to U.S. high-technology markets.

With increased demand for high-tech managers, there is a developing trend to promote younger managers with technical backgounds to high-level positions.

Takeover activities provide the best way to rid the economy of bad management and inefficient companies.



About Heidrick and Struggles

For more than three decades, Heidrick and Struggles has devoted its full resources and capabilities to providing superior executive search services worldwide. Client organizations within every one of the world's major industries have retained Heidrick and Struggles to identify, evaluate, and attract high caliber executive talent for specific opportunities within middle and top management, and on boards of directors. One of the best known and most experienced in executive selection, the firm comprises more than 80 professionals, supported by a sophisticated information base in a network of 17 offices located in major business centers in the United States and Europe.

To contribute to the body of knowledge available to senior management, Heidrick and Struggles periodically publishes profiles of incumbents in key management posts. The firm is pleased to add this publication to others it produces to report trends of significance to directors and senior management.

Publications

A list of recent Heidrick and Struggles publications appears below. Copies and prices are available from the firm's Communications/Public Relations Department in Chicago.

United States

The Changing Board
A survey of chairmen and the boards they direct (issued annually since 1966)

Director Data
Chief Executive Officer
Information/Technology Chief Executive Officer
Health Care Chief Executive
Profile of a Chief Financial Officer
Profile of a Chief International Officer
Profile of a Bank and Bank Holding Company Chief Executive Officer
Human Resources: Function in Transition
Research and Development
Mobile Manager
Profile of a Woman Officer

The Search for Management
Services of an executive recruiting firm

Europe

Le Talent De Diriger
Chief Executive Officer Data
The UK Chief Executive and His Outlook
The Characteristics of Newly Appointed CEOs in the UK
Profile of the Chief Financial Officer in the United Kingdom
Leiter Finanz-und Rechnungswesen Deutschland
Chief Marketing Executive in the United Kingdom
Marketingleiter Deutschland
Profile of a Chief International Officer
La Mobilità dell' Alta Direzione in Italia
Leiter Personalwesen in Deutschland
Le Directeur Du Personnel Dans Les Benelux
Profile of a Chief Personnel Executive in the United Kingdom
Profil du Directeur du Personnel en France
Top Management in the UK Computing Industry
Information Technology—The Management of Change in the UK

The Search for Management in Europe
A general description of Heidrick and Struggles' activities in Europe

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Four Embarcadero Center 94111 (415) 981-2854

Introduction

Today's boards of directors are finding themselves in the center of the corporate spotlight. Much of the notoriety stems from media attention on the crisis in director liability.

Over the course of a year, D&O liability insurance premiums have skyrocketed for *Fortune* 1000 organizations, increasing an average of 506 percent. This fact makes it difficult for many firms to attract and retain outside director talent. In 1985 alone, a number of companies lost some or all of their outside directors because reasonably priced insurance became unobtainable. Among them are Armada, Delta U.S., Control Data, Continental Steel, Sykes Datatronics, and Cook Data Services. No wonder that the seven-year rise in the percentage of independent outside directors on *Fortune* 1000 boards ended in 1986, and the ratio of management directors predictably increased.

Even the most experienced candidates are hesitant to become members of boards. Seven of ten responding *Fortune* 1000 chairmen turned down corporate directorships within the last three years, and three-fourths indicate they would not serve on boards that did not offer D&O coverage. Yet more than half (53.2 percent) of participating chairmen believe America's largest publicly held companies should be legally required to have a majority of outside directors, compared with 41.9 percent last year. In this environment, it is not surprising that director compensation increased this year, reflecting the greater responsibilities and personal risks undertaken by those who elect to serve as directors.

While directors are grappling with the issues related to service, boards are taking a "hands-on" approach to their work, reassessing priorities and committee functions. Financial results is the top board priority. Moreover, five of eight boards participate in the selection of officers below the CEO level, a sign of escalating interest in the day-to-day operations related to corporate performance and executive accountability. A majority of boards have six formal committees, but three additional ones, Social Responsibility/Public Policy, Strategic Planning, and Stock Options, are present in one-third of *Fortune* organizations. Increasingly extensive committee structures reflect both the fact that greater reliance is being placed on committee recommendations and that a growing number of issues warrant special committee attention.

Such changes indicate that the "liability crisis" is acting as a catalyst in the formation of a "new board"—stronger, more involved, independent—the kind of body that can exert a positive influence on the policies, plans, and objectives necessary for organizational success. Our survey respondents are benefiting from this transformation. Perhaps this is why nine of ten *Fortune* chairmen now rank their boards' performance as outstanding or above average in relation to protecting corporate assets for the long-term interests of shareholders.

Gerard R. Roche
Chairman
Heidrick and Struggles

Highlights

Key findings of this study of *Fortune* 1000 companies:

- ☐ The average board comprises 13.7 members.
- ☐ White male directors account for 92.8 percent of board membership.
- ☐ Outside director annual compensation has increased 7.4 percent since 1985, averaging $20,534.
- ☐ Annual compensation for management directors has more than doubled since last year, averaging $28,295.
- ☐ Annual retainers awarded to committee members have more than doubled since 1985.
- ☐ More than three-fourths of the *Fortune* 1000 companies report an average D&O liability insurance premium increase of 506 percent since last year.
- ☐ Nine of ten chairmen rank their boards' performance as outstanding or above average in terms of protecting corporate assets for the long-term interests of shareholders.
- ☐ More than three-fourths of *Fortune* 1000 chairmen would not serve on boards that did not provide D&O liability insurance.
- ☐ Seven of ten responding *Fortune* 1000 chairmen turned down corporate directorships within the last three years.
- ☐ Five of seven chairmen agree that the high-cost of acquisitions and corporate restructurings financially weakens companies.
- ☐ More than half of the board chairmen believe America's largest publicly held companies should be legally required to have a majority of outside directors.

Size of Board

Board size, at 13 to 14 directors, remains unchanged since 1983. Typically, non-industrials continue to have slightly larger boards than industrials. Among non-industrials, commercial banking concerns report the largest boards, averaging 20 members, while boards of transportation companies have the fewest members, an average of 12.

The largest boards are found in the Southwest, averaging 16 members. The average size of Western *Fortune* 1000 boards—12 directors—is the smallest nationwide.

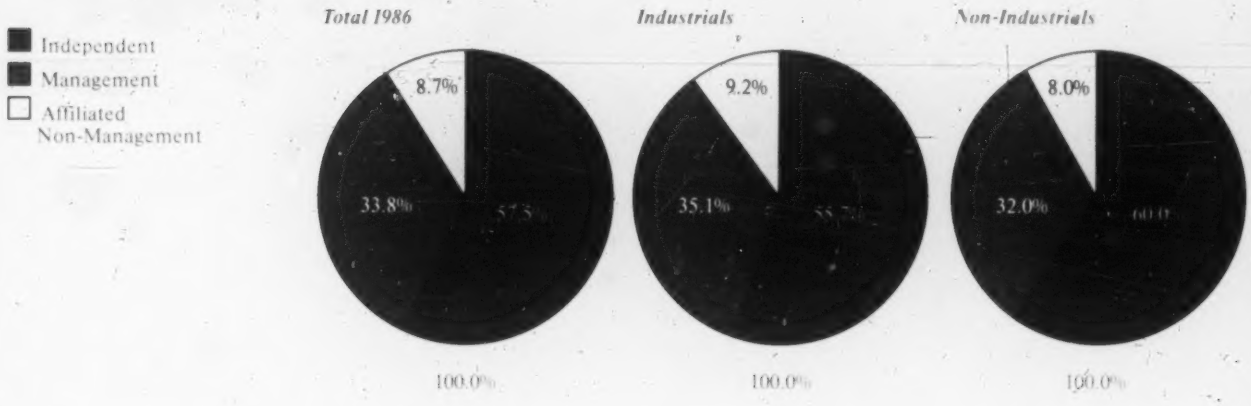
Number of Directors

				Industrials by Size			
	Total 1986	*Industrials*	*Non-Industrials*	$2B or more	$1–1.9B	$500–999M	Less than $500M
5–9	11.0%	12.3%	9.2%	0.0%	7.3%	34.2%	25.0%
10–14	56.1	64.4	44.9	58.4	73.2	63.4	75.0
15–19	25.1	19.9	32.1	33.3	19.5	2.4	0.0
More than 19	7.8	3.4	13.8	8.3	0.0	0.0	0.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	13.7	12.7	14.9	14.8	12.2	10.5	9.8

Composition of Board

For the first time since 1979, the percentage of independent directors on boards of the nation's largest industrial and non-industrial organizations has decreased, from 63.2 percent in 1985 to 57.5 percent in 1986. This ends a seven-year movement to increase their numbers. The most notable exception is found in the commercial banking industry, where seven of ten directors are independent of corporate affiliations.

Management directors now account for one-third of total board representation compared with one-fourth in 1985.



Director Population by Race and Sex

Though the percentage of all-white-male boards continues to decrease from 59.3 percent in 1981 to 43.1 percent in 1986, the number of minority directors has increased only 2.6 percent in this five-year period, from 4.6 percent to 7.2 percent. Non-industrials report a higher ratio of women and black male directors than industrials, with retailing concerns having the largest proportions of females and black males on their boards, 10.8 percent and 6.0 percent respectively.

Boards of Western organizations have the most women directors (7.8 percent), while responding chairmen of *Fortune* 1000 companies in the South report the largest proportion of black males (2.6 percent) serving as directors.

Race and Sex

				Industrials by Size			
	Total 1986	*Industrials*	*Non-Industrials*	$2B or more	$1–1.9B	$500–999M	Less than $500M
White Males	92.8%	94.3%	91.1%	91.7%	96.4%	97.0%	97.4%
White Females	4.4	3.7	5.2	4.8	2.6	2.8	2.6
Black Males	1.6	1.1	2.2	1.9	0.6	0.2	0.0
Black Females	0.5	0.4	0.5	0.9	0.0	0.0	0.0
Other Males	0.3	0.0	0.7	0.0	0.0	0.0	0.0
Hispanic Males	0.2	0.3	0.1	0.6	0.0	0.0	0.0
Asian Males	0.1	0.1	0.1	0.1	0.2	0.0	0.0
Asian Females	0.1	0.1	0.0	0.0	0.2	0.0	0.0
Other Females	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Hispanic Females	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Number of Board Meetings in 1986

The average number of board meetings scheduled for 1986 remains unchanged since 1982 at eight. Whether within an industrial or non-industrial concern, meeting frequency continues to correlate with size of organization. Companies in the $2 billion-or-more category meet an average of almost three more times a year than organizations sized less than $500 million.

Number of Meetings

	Total 1986	*Industrials*	*Non-Industrials*	*Industrials by Size* $2B or more	$1–1.9B	$500–999M	Less than $500M
1–4	14.2%	9.0%	21.1%	3.4%	7.3%	20.0%	0.0%
5–9	49.4	55.6	41.3	52.5	51.2	60.0	100.0
10–14	36.4	35.4	37.6	44.1	41.5	20.0	0.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	7.9	8.0	7.7	8.7	8.3	6.8	6.0

Number of Board Committees

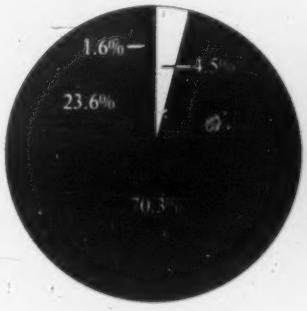
As in 1985, *Fortune* 1000 boards average five committees. This is true for both industrials and non-industrials and in all but one geographic region: the South, where board chairmen report having four committees.

Respondents from life insurance companies indicate the most board committees, an average of 6.4.

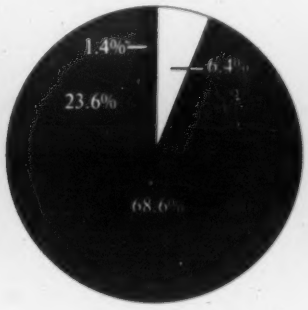
Number of Committees

- Fewer than 3
- 3–5
- 6–8
- More than 8

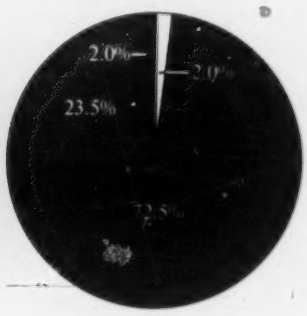
Total 1986



Industrials



Non-Industrials



	100.0%	100.0%	100.0%
Mean	4.8	4.8	4.8

Prevalence of Board Committees

For the first time since 1966, the Compensation/Personnel Committee is more prevalent than the Audit Committee in responding organizations. The most dramatic increase is in the presence of the Strategic Planning Committee, which grew five-fold, 6.0 percent in 1985 to 32.9 percent in 1986. The existence of the Pension/Retirement Committee has more than doubled in a decade, from 25.3 percent in 1976 to a current 57.4 percent.

In keeping with the more extensive committee structure of today's boards, the Nominating, Finance, and Pension/Retirement Committees, which were found in one-third or fewer of the *Fortune* 1000 companies in 1976, are now present in a majority of these organizations. All except the Executive Committee are chaired by independent directors. Instead, it is headed by a management director, who is usually the CEO of the corporation.

Committees

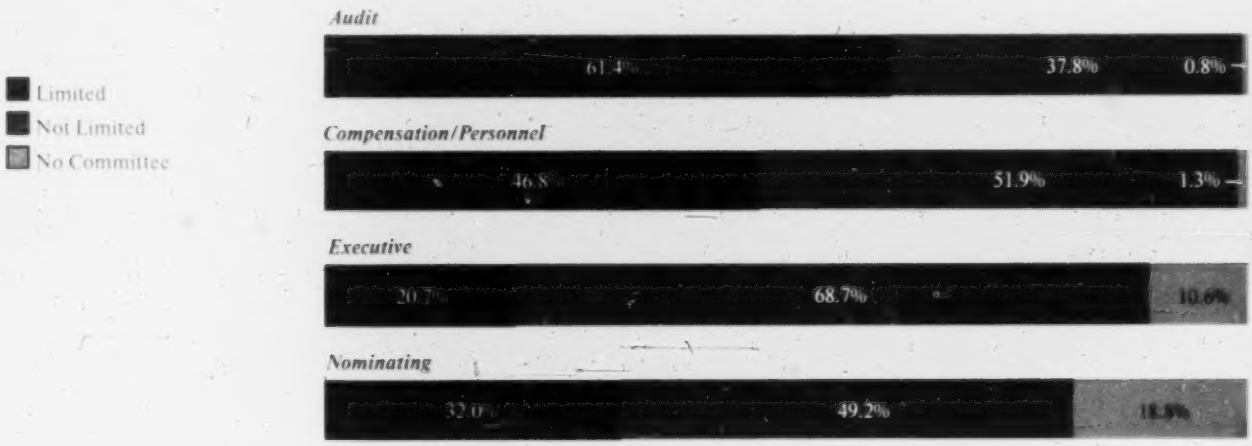
	Total 1986	*Total 1981*	*Total 1976*
Compensation/Personnel	99.6%	92.2%	85.0%
Audit	99.2	99.0	93.0
Executive	93.8	82.3	79.9
Nominating	89.9	56.1	9.2
Finance	73.0	33.7	33.5
Pension/Retirement	57.4	31.4	25.3
Social Responsibility/Public Policy	47.4	13.6	5.5
Stock Options	37.5	29.4	43.5
Strategic Planning	32.9	NA	NA
Research	11.1	NA	NA

Results do not add to 100% due to multiple responses.

Committee Membership Restrictions

Five years ago, responding chairmen reported that the committees listed below all had membership restrictions. Today, only the Audit Committee's membership is limited by a majority of participating *Fortune* 1000 organizations.

Of those companies limiting Audit Committee membership, almost three of four indicate that this committee is comprised of only outside independent directors.



Committee Membership Limitation

Audit	*Total 1986*	*Industrials*	*Non-Industrials*	*Industrials by Size* $2B or more	$1-1.9B	$500-999M	Less than $500M
Outside Independent Directors Only	73.7%	69.9%	78.5%	71.7%	75.0%	61.9%	NA
Outside Independent and Affiliated Non-Management Directors	22.3	26.5	16.9	26.1	18.8	33.3	NA
Majority of Outside Independent and Affiliated Non-Management Directors	2.0	1.2	3.1	2.2	0.0	0.0	NA
Majority of Outside Independent Directors Only	2.0	2.4	1.5	0.0	6.2	4.8	NA
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	NA
Compensation/Personnel							
Outside Independent Directors Only	69.4%	58.1%	84.8%	57.1%	53.8%	64.3%	NA
Outside Independent and Affiliated Non-Management Directors	24.1	33.9	10.9	34.3	30.8	35.7	NA
Majority of Outside Independent Directors Only	6.5	8.0	4.3	8.6	15.4	0.0	NA
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	NA
Executive							
Outside Independent Directors Only	10.0%	11.1%	8.3%	12.5%	0.0%	50.0%	NA
Outside Independent and Affiliated Non-Management Directors	16.7	16.7	16.7	25.0	12.5	0.0	NA
Majority of Outside Independent and Affiliated Non-Management Directors	20.0	22.2	16.7	12.5	25.0	50.0	NA
Majority of Outside Independent Directors Only	53.3	50.0	58.3	50.0	62.5	0.0	NA
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	NA
Nominating							
Outside Independent Directors Only	47.3%	35.5%	62.5%	35.0%	37.5%	33.4%	NA
Outside Independent and Affiliated Non-Management Directors	27.3	35.5	16.7	40.0	25.0	33.3	NA
Majority of Outside Independent and Affiliated Non-Management Directors	5.4	9.7	0.0	10.0	12.5	0.0	NA
Majority of Outside Independent Directors Only	20.0	19.3	20.8	15.0	25.0	33.3	NA
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	NA

Basis of Outside Director Compensation

The proportion of responding *Fortune* 1000 organizations paying outside directors annual retainers and per meeting fees for both full board and committee service rose 12 percent, to 44.2 percent in 1986 from 32.2 percent in 1985. The percent of companies awarding an annual retainer for board service and per meeting fees for board and committee meetings decreased to 44.2 percent from 55.5 percent during the same time period.

Compensation of Most Highly Paid Independent Outside Directors

The most highly paid independent outside directors receive an average of $28,706 for all board activities, an increase of 8 percent from 1985's figure of $26,583. For the first time, non-industrial compensation is slightly higher than industrial, with diversified financial companies awarding the largest amounts, an average of $39,697.

				Industrials by Size			
	Total 1986	*Industrials*	*Non-Industrials*	$2B or more	$1-1.9B	$500-999M	Less than $500M
Less than $15,000	5.9%	4.4%	7.8%	1.8%	5.3%	7.7%	0.0%
$15,000-19,999	14.2	13.2	15.5	5.4	7.9	28.2	33.3
$20,000-24,999	16.7	19.9	12.6	7.1	28.9	30.8	0.0
$25,000-29,999	25.1	22.1	29.1	16.1	31.6	17.9	66.7
$30,000-34,999	14.7	12.5	17.5	16.1	7.9	12.8	0.0
$35,000-39,999	9.6	12.5	5.8	21.4	10.5	2.6	0.0
More than $39,999	13.8	15.4	11.7	32.1	7.9	0.0	0.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	$28,706	$28,646	$28,784	$35,350	$26,125	$21,901	$23,133

Annual Cash Compensation of Outside Directors Attending All Full Board Meetings

Annual cash compensation of outside directors attending all full board meetings has more than doubled in the past ten years. The 1985 figure of $19,114 increased an average of 7.4 percent this year, reaching $20,534. However, five of eight respondents report no change in the amount awarded from last year.

Perhaps reflecting a depressed regional economy, the lowest paid directors are found in the Southwest, where they receive annual average compensation of $17,600. The highest paid directors are in the East, earning, on average, $22,536 a year.

	Total 1986	*Industrials*	*Non-Industrials*	*Total 1976*
Less than $9,000	4.8%	2.8%	7.5%	64.5%
$ 9,000–11,999	2.4	2.1	2.8	17.5
$12,000–14,999	10.4	9.9	11.2	11.6
$15,000–17,999	16.1	13.4	19.6	
$18,000–20,999	18.9	16.9	21.5	
$21,000–24,999	21.3	25.4	15.9	6.4
$25,000–29,999	17.3	18.3	15.9	
More than $29,999	8.8	11.2	5.6	
	100.0%	100.0%	100.0%	100.0%
Mean	$20,534	$21,507	$19,243	$7,925

Perquisites for Outside Directors

Four of seven participating *Fortune* 1000 chairmen indicate that their directors receive matching gifts, the only perquisite this year to be awarded by a majority of companies. Less than half of the organizations now offer travel allowances, the most popular perquisite in 1985, to their outside directors.

Perquisites				*Industrials by Size*			
	Total 1986	*Industrials*	*Non-Industrials*	$2B or more	$1–1.9B	$500–999M	Less than $500M
Matching Gifts	56.7%	62.9%	48.6%	76.3%	57.5%	52.5%	25.0%
Travel Allowances	43.7	44.1	43.1	44.1	47.5	45.0	0.0
First-Class Air Travel	43.7	48.3	37.6	52.5	42.5	52.5	0.0
Travel Insurance	40.9	44.1	36.7	44.1	45.0	45.0	25.0
Accident Insurance	31.0	37.8	22.0	47.5	27.5	37.5	0.0
Life Insurance	25.4	28.7	21.1	28.8	25.0	35.0	0.0
Product/Service Discount	16.7	18.2	14.7	22.0	7.5	22.5	25.0
Medical Insurance	11.5	10.5	12.8	20.3	2.5	5.0	0.0
Stock Options	4.0	4.2	3.7	3.4	0.0	10.0	0.0
Other	9.5	8.4	11.0	10.2	12.5	2.5	0.0
No perquisites	15.9	12.6	20.2	6.8	12.5	17.5	50.0

Results do not add to 100% due to multiple responses.

Outside Directors' Time Commitment

Outside directors will spend slightly less time on full board matters in 1986 than in 1985, an average of 15.8 days compared with 17.1 days. Directors of diversified services organizations will invest the greatest amount of time in board work this year, an average of 20 days.

Days	Total 1986	Industrials	Non-Industrials	Industrials by Size: $2B or more	$1-1.9B	$500-999M	Less than $500M
Less than 10	20.1%	14.1%	27.9%	7.5%	15.0%	21.1%	25.0%
10-14	36.4	39.2	32.7	37.8	35.0	44.7	50.0
15-19	20.5	23.0	17.3	20.8	32.5	18.4	0.0
20-29	17.2	17.8	16.3	26.4	15.0	10.5	0.0
More than 29	5.8	5.9	5.8	7.5	2.5	5.3	25.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean	15.8	15.5	16.2	16.6	15.0	14.4	17.0

Management Director Compensation for Board Service

Fewer *Fortune* 1000 organizations currently compensate management directors (officers of the company) for board service, 7.5 percent compared with 11.0 percent in 1985. Of those that do, industrials report awarding the largest average increase, 348 percent more than last year; $40,464 compared with $9,033. Average compensation in conferring organizations has more than doubled during the past year, from $11,174 in 1985 to $28,295 in 1986.

	Total 1986	Industrials	Non-Industrials	Industrials by Size: $2B or more	$1-1.9B	$500-999M	Less than $500M
Yes	7.5%	7.6%	7.3%	1.7%	12.5%	12.2%	0.0%
No	92.5	92.4	92.7	98.3	87.5	87.8	100.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Compensation

	Total 1986	Industrials	Non-Industrials
Less than $3,000	26.3%	36.3%	12.5%
$3,000-7,999	21.0	18.2	25.0
$8,000-11,999	5.3	0.0	12.5
$12,000-19,999	26.3	18.2	37.5
$20,000-29,999	10.6	9.1	12.5
More than $29,999	10.5	18.2	0.0
	100.0%	100.0%	100.0%
Mean	$28,295	$40,464	$11,563

Average Compensation for Committee Service

All retainer and meeting fees for committee chairmen and members are higher this year, than last. Retainers for committee members increased the most. They range from an increase of 156 percent for the Audit Committee ($1,046 to $2,360) to 653 percent more for the Nominating Committee ($322 to $2,426). All *Fortune* 1000 organizations are paying 2 to 10 percent higher per meeting fees.

	Total 1986	*Industrials*	*Non-Industrials*	*Industrials by Size* $2B or more	$1-1.9B	$500-999M	Less than $500M
Audit							
Chairman							
Retainer	$3,425	$2,885	$4,168	$4,128	$2,069	$1,421	$2,333
Meeting fee	627	655	590	699	623	645	450
Member							
Retainer	2,360	1,492	3,706	2,500	518	641	NA
Meeting fee	595	608	556	646	583	595	425
Compensation/Personnel							
Chairman							
Retainer	3,383	2,761	4,211	3,974	2,100	1,008	1,667
Meeting fee	615	650	571	703	638	606	450
Member							
Retainer	2,445	1,491	3,840	2,433	545	429	NA
Meeting fee	586	615	548	656	574	617	425
Executive							
Chairman							
Retainer	3,781	3,669	3,925	5,125	2,275	522	11,500
Meeting fee	451	460	438	405	485	514	433
Member							
Retainer	2,674	2,198	3,325	3,287	452	714	5,000
Meeting fee	580	590	568	621	596	564	400
Nominating							
Chairman							
Retainer	2,728	2,207	3,518	3,089	1,450	1,082	2,000
Meeting fee	595	605	579	649	579	572	500
Member							
Retainer	2,426	1,340	4,096	2,022	400	438	NA
Meeting fee	588	612	551	658	565	598	500

Retirement Policy for Outside Directors

Seven of nine *Fortune* 1000 companies have a retirement policy for outside directors, an increase of 9.4 percent from 1985. As usual, *age only* is the basis for retirement at 83.3 percent of the organizations, with 70 specified as the retirement age by three-fifths of the chairmen.

Of the responding organizations that do not have a retirement policy, 6.4 percent are planning to institute one in 1987.

Retirement Policy	*Total 1986*	*Industrials*	*Non-Industrials*	*Industrials by Size* $2B or more	$1-1.9B	$500-999M	Less than $500M
Yes	77.8%	77.9%	77.6%	83.3%	67.5%	82.9%	50.0%
No	22.2	22.1	22.4	16.7	32.5	17.1	50.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Retirement Income for Outside Directors

Slightly more *Fortune* 1000 organizations now provide retirement income to outside directors, 28.9 percent compared with 25.6 percent in 1985. As in the past, the determining factor for the amount is length of full board service.

Of the companies that do not currently provide retirement income, 7.6 percent report they plan to do so in 1987.

Retirement Income

	Total 1986	Industrials	Non-Industrials	Industrials by Size			
				$2B or more	$1.1B–$2B	$500–999M	Less than $500M
Yes	28.9%	34.0%	22.0%	36.7%	27.5%	39.0%	0.0%
No	71.1	66.0	78.0	63.3	72.5	61.0	100.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

D&O Liability Insurance

More than three-fourths of *Fortune* 1000 board chairmen report that their D&O liability insurance premiums have increased substantially from 1985. Though the average premium is 506 percent higher than a year ago, only two of nine respondents' boards consider self-insurance an alternative.

Premium Increase

	Total 1986	Industrials	Non-Industrials
Yes	78.5%	81.4%	74.5%
No	21.5	18.6	25.5
	100.0%	100.0%	100.0%

Percent of Increase

0–99	22.9%	22.0%	24.2%
100–499	43.5	40.2	48.2
500–999	13.6	15.8	10.4
More than 999	20.0	22.0	17.2
	100.0%	100.0%	100.0%
Mean Increase	506%	559%	434%

Current Concerns of the Board

Financial results, followed by strategic planning and management succession, continue to be the top three concerns of the boards of America's leading industrials and non-industrials.

Concern	*Total 1986*	*Industrials*	*Non-Industrials*
Financial results	1.58	1.69	1.41
Strategic planning	2.41	2.36	2.49
Management succession	3.29	3.27	3.33
Financing requirements	3.34	3.41	3.24
Mergers	3.45	3.31	3.69
Acquisitions	3.59	3.54	3.67
Top management organization/ compensation	3.59	3.59	3.58
Divestitures	3.71	3.86	3.47
Takeovers	3.96	3.77	4.20
Diversification	3.99	3.75	4.28
Corporate culture	4.00	3.85	4.23
Shareholder relations	4.00	4.36	3.52
Multinational issues	4.22	4.29	4.08

Key *The scores shown represent the average ranking of each concern by participating directors. A score of 1.00 would indicate the concern ranked first among all concerns; if there, the lower the score, the higher the average ranking.*

The Chairman of the Board

The typical *Fortune* 1000 chairman of the board is a 59-year-old white male who has served in this capacity for 6.9 years and is chief executive officer of his corporation. He sits on three boards in addition to his own and would not serve on a board that did not offer D&O liability insurance. He has also declined corporate directorship invitations during the past three years, reporting lack of time as the determining factor in his decision.

Age

	Fortune 500s	Industrials	Non-Industrials
[illegible]	7.6%	3.5%	13.1%
[illegible]	42.4	44.0	40.2
[illegible]	47.2	48.3	45.8
[illegible]	2.8	4.2	0.9
[illegible]	100.0%	100.0%	100.0%
Mean	59.0	60.0	57.6

Chairman or CEO

CEO	82.8%	79.4%	87.3%
No CEO, but active in company management	12.5	14.4	10.0
Not active in company management	4.7	6.2	2.2
	100.0%	100.0%	100.0%

Would you serve on a board that did not offer D&O liability insurance?

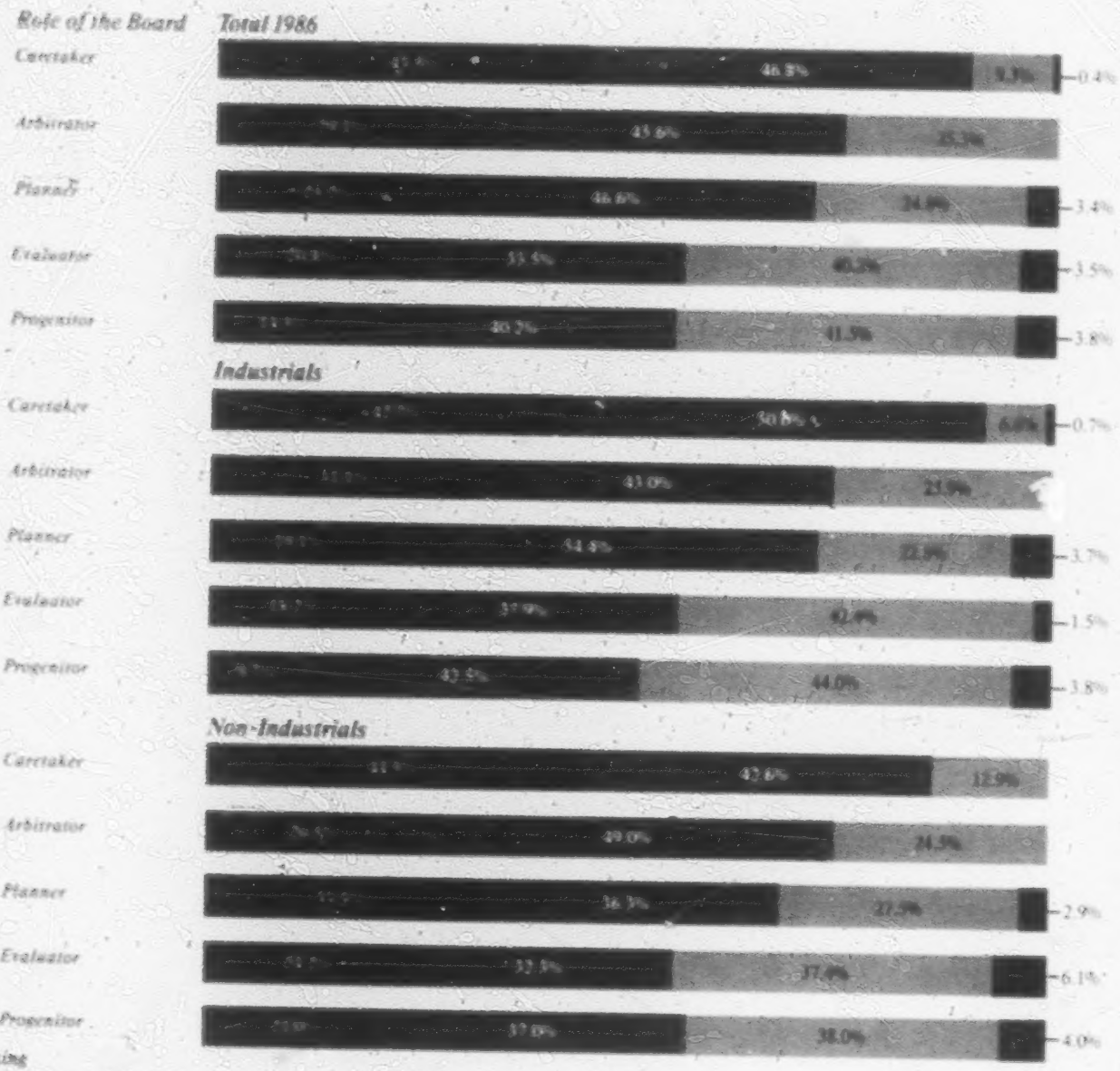
Yes	10.1%	10.3%	10.0%
No	76.8	78.1	75.0
[illegible]	7.2	5.8	9.0
[illegible]	5.9	5.8	6.0
	100.0%	100.0%	100.0%

Number of Directorships, Excluding Own Company

None	9.1%	7.8%	11.0%
One	12.4	14.2	10.0
Two	27.4	27.6	27.0
Three	26.6	27.0	26.0
Four	13.6	13.5	9.0
More than four	12.9	9.9	17.0
	100.0%	100.0%	100.0%
Mean	2.7	2.6	2.9

Evaluation of Board Performance by Function

Nine of ten participating *Fortune* 1000 chairmen rank their boards' performance outstanding or above average in terms of protecting corporate assets for the long-term interests of shareholders. Planning for short- and long-term growth in profits and capital gains is assessed as the weakest function, with 45.3 percent assigning an average or below average rating to their boards' role in this area.



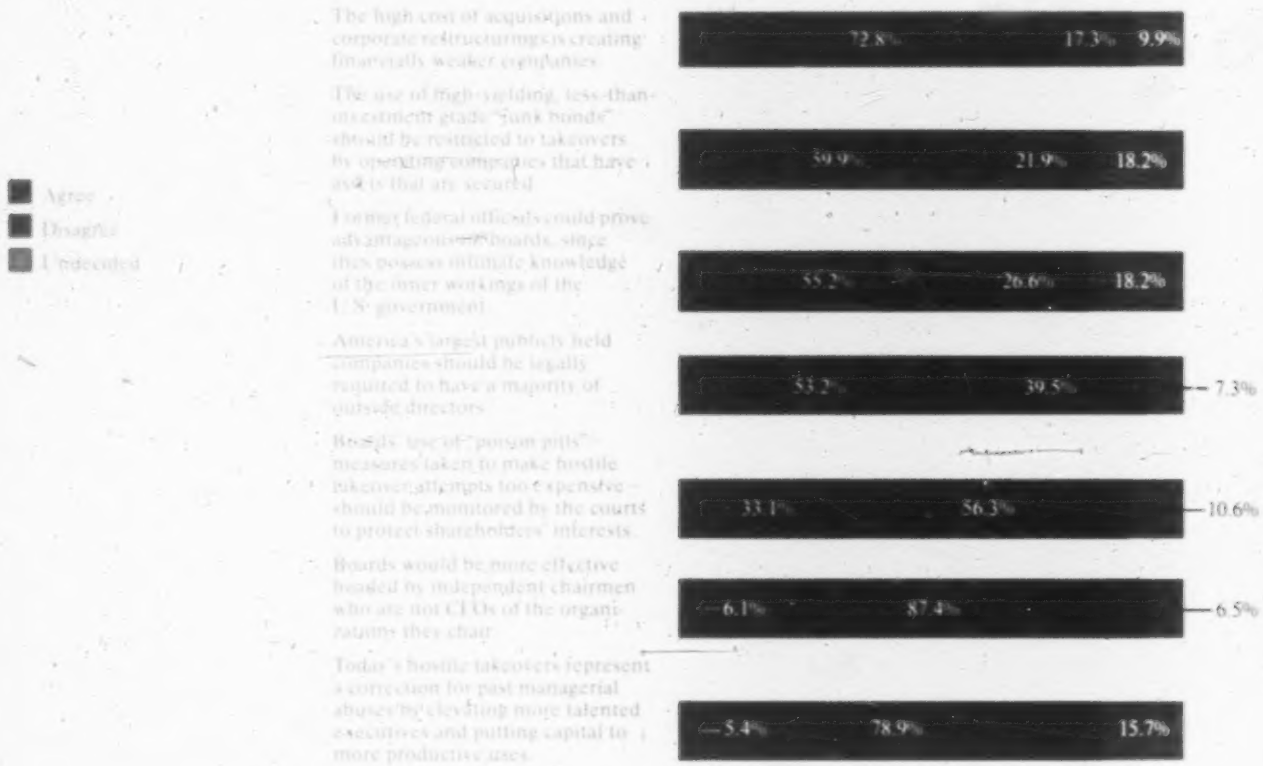
Key

- ***Caretaker*** protecting corporate assets for the long-term interests of shareholders
- ***Arbitrator*** approving major corporate decisions as legally required; guiding the organization according to statutes
- ***Planner*** creating and monitoring strategic goals to secure long-term growth and stability; approving mergers and acquisitions
- ***Evaluator*** selecting and removing top managers; providing for smooth management succession
- ***Progenitor*** planning for short- and long-term growth in profits and capital gains

Most Effective Board Chairmen

Although no one board chairman received a majority endorsement, responding *Fortune* 1000 chairmen most often name Lee Iacocca of Chrysler, John Welsh of GE, John Opel of IBM, or Roger Smith of General Motors as their choices for the most effective board chairmen in the nation today.

Views of Chairmen



About Heidrick and Struggles

For more than three decades, Heidrick and Struggles has devoted its full resources and capabilities to providing superior executive search services worldwide. Client organizations within every one of the world's major industries have retained Heidrick and Struggles to identify, evaluate, and attract high caliber executive talent for specific opportunities within middle and top management, and on boards of directors. One of the best known and most experienced in executive selection, the firm comprises more than 80 professionals, supported by a sophisticated information base in a network of 17 offices located in major business centers in the United States and Europe.

To contribute to the body of knowledge available on boards of directors, Heidrick and Struggles annually publishes this survey. The firm is pleased to add this publication to others it produces to report trends of significance to directors and senior management.

Publications

A list of recent Heidrick and Struggles publications appears below. Copies and prices are available from the firm's Communications/Public Relations Department in Chicago.

United States

The Changing Board
A survey of chairmen and the boards they direct (issued annually since 1966)

Director Data
Chief Executive Officer
Information/Technology Chief Executive Officer
Health Care Chief Executive
Profile of a Chief Financial Officer
Profile of a Chief International Officer
Profile of a Bank and Bank Holding Company Chief Executive Officer
Human Resources: Function in Transition
Research and Development
Mobile Manager
Profile of a Woman Officer

The Search for Management
Services of an executive search consulting firm

Europe

Le Talent De Diriger
Chief Executive Officer Data
The UK Chief Executive and His Outlook
The Characteristics of Newly Appointed CEOs in the UK
Profile of the Chief Financial Officer in the United Kingdom
Leiter Finanz-und Rechnungswesen Deutschland
Chief Marketing Executive in the United Kingdom
Marketingleiter Deutschland
Der Marketing-Leiter In Der EDV-Branche
Profile of a Chief International Officer
La Mobilita dell' Alta Direzione in Italia
Leiter Personalwesen in Deutschland
Le Directeur Du Personnel Dans Les Benelux
Profile of a Chief Personnel Executive in the United Kingdom
Profil du Directeur du Personnel en France
Top Management in the UK Computing Industry
Information Technology—The Management of Change in the UK

The Search for Management in Europe
Brochures describing the services of an executive search consulting firm in Europe (available in Dutch, English, French, and German)